

TRADE AGREEMENTS EXTENSION

HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE EIGHTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 1

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

MARCH 15, 16, 17, AND 18, 1955

PART 3

Printed for the use of the Committee on Finance



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TRADE AGREEMENTS EXTENSION

TUESDAY, MARCH 15, 1955

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 Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Martin, Kerr, Long, Barkley, George, Malone, Johnson (Texas), Carlson, Smathers.

Also present: Senator Monroney.

The CHAIRMAN. The meeting will come to order.

I submit for the record the following statement submitted in lieu of personal appearance by Mr. C. P. McFadden, chairman of the Rubber Footwear Division of the Rubber Manufacturers Association.

My name is Cornelius P. McFadden. I am a member of the staff of the Rubber Manufacturers Association, 444 Madison Avenue, New York, N. Y., and as such I serve as chairman of the footwear division of that organization. The footwear division is comprised of American manufacturers of waterproof rubber footwear and rubber-soled fabric footwear who produce over 90 percent of such footwear made in the United States.

My people have known and have suffered from foreign competition. More than a hundred years ago, the rubber footwear industry had its birth in the United States. As it grew, it developed markets abroad and for many years American manufacturers were the world's only suppliers of rubber footwear. In time, manufacturers in foreign lands copied the American product and, with their advantage of cheap labor, quickly took over the markets outside the United States. The American producers thereby lost a substantial and profitable market which their ingenuity and energy had developed.

The foreign invasion did not stop there. In the late twenties and early thirties, rubber footwear, made abroad with cheap labor, flooded the American market and threatened the domestic industry with extinction. The industry was saved by an upward adjustment of tariffs that in a measure compensated for the wide gap in production costs, chiefly labor, here and abroad that existed then and which exists now.

We are opposed to H. R. 1 because we are convinced that it will open the way to drastic reductions in these protective duties. On behalf of the footwear division of our association, I appeared before the House Ways and Means Committee on February 3 to testify in opposition to H. R. 1. If you please, I would like to have my testimony at that time included by reference in the record of this hearing. Assuming this will be permitted, I will very briefly highlight the position of our industry as stated at that time.

1. We feel that this delegation of authority over tariffs and trade to the administrative branch is unwarranted and is an improper shifting of responsibility.

2. We feel further that it holds elements of danger to many American producers, their employees and the communities in which they operate, because it places the power of life and death over such industries in the hands of Government officials who are not directly responsible or responsive to the owners, managers, workers, and other affected individuals.

H. R. 1 would give to the administrative branch authority to make severe cuts in tariffs. Our industry finds no assurance that it will not be chosen as one of the sacrificial offerings on the altar of international goodwill. We know that

the industry cannot survive if cheap-labor foreign producers are encouraged to come into our markets through a lowering of import duties.

Let it be made clear, that we are as enthusiastic as anyone, in Government or out, for the promotion and expansion of world trade. Our history gives evidence of that. We, like other American manufacturers, promoted in the world markets and we would like to have some of those markets back. But, if the United States merely trades off goods produced in America, by American workmen, earning American wages, for goods made abroad at wages one-third to one-tenth of the American standard, we are not expanding world trade. And we most certainly will shrink the domestic market, by shrinking the American payroll and the American buying power. We will contribute little or nothing to the improvement of the standard of living in foreign lands, although we may strike an equality by lowering the American standard to their level.

There is a lot of doubletalk on this subject of tariffs and foreign trade, and some of the most confusing revolves around the theory that the United States should reduce its tariffs so that all the world will be prosperous. The United States has reduced its tariffs drastically over the past couple of decades. It is now among the very low of low-tariff countries. As we pointed out in our statement to the House of Representatives, the elimination of the remaining American duties will not extend our prosperity throughout the world. Such action could transfer our prosperity to some other land, but we can't give away our prosperity and keep it too. Giving away jobs and job opportunities is as certain a road to ruin as giving away money.

America has prospered beyond any other nation mainly because the American system recognizes that the worker is the best customer of the factory. We suggest other nations apply that lesson and stop worrying about our tariffs.

Advocates of further tariff concessions also assert that American producers do not need tariff protection because they have the great advantage of know-how and advanced machinery to offset the foreigner's advantage of cheap labor.

Of course this opinion is not based on fact. At one time it was true that we had more know-how and better equipment. But not now. Foreign competitors have equal or better machinery, most of it American made and American bought. They have been given the benefit of training in American methods and have visited and inspected American plants at the expense of Uncle Sam and the very businessmen and workmen with whom they are now competing.

But let's analyze the statement further. On the one hand it is urged that we reduce tariffs so that foreign competitors may have a share of our markets. On the other hand it is argued that American producers—because of their assumed better machinery and higher technical efficiency—can withstand the foreign competition encouraged by such tariff cuts. That means only one thing: The American producers will still hold their markets, and, of course, the foreign producers will not be able to expand their outlets here. What the one hand appears to give, the other hand takes away. Status quo is maintained. So where is the sense in tinkering with the tariffs? Who is kidding whom? It is obvious that if importations of foreign-made products that compete with American-made products are permitted to enter in increased quantities, someone is going to get hurt, and that someone is the American producer.

Now for some more doubletalk. Proponents of H. R. 1 have given assurances that no American industry will be harmed through the administration of the bill. Yet they refused to permit any safeguards to be written into the measure. If they can guarantee that H. R. 1 will be administered without harm, why do they object to prudent limitations in the bill?

While the bill was being bitterly fought in the House, a letter from the President was read to the Members, and no one can doubt that it was influential in winning passage for the bill. In this letter, the President stated: "This program, therefore, must be, and will be administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure."

Without considering the fact that H. R. 1, if passed, will be in force for 3 years, which is more than a year beyond the period for which the present administration can definitely guarantee policy, we would like to point out that there is legislation now pending in both Houses which tends to discount the assurances given by the President.

If no American industry is to be placed in jeopardy, what is the need for H. R. 229 and H. R. 2386 and S. 751, almost identical bills bearing the tentative title of "Trade Adjustment Act of 1955"? These bills provide for a Federal

relief agency to pay doles to American workingmen and workingwomen and to make available financial assistance to businesses and communities which are injured as a result of tariff reductions, which could be granted only under H. R. 1, if that bill becomes law.

Again, who's kidding whom?

Gentlemen, H. R. 1 was presented to the House of Representatives under what was termed on the floor as a "gag" rule. It was hurriedly introduced and speeded through public hearings and rushed to final action. Yet it barely squeaked through and for a few moments in the first day of debate it appeared to be headed for defeat.

Analyze the votes cast in opposition to the bill. The cleavage in the House was not partisan, not sectional, not between industry and labor, not between urban and rural; but unevenly throughout the entire warp and woof of our political pattern.

That should be sufficient warning that this bill is unwanted. We urge you to reject it. Toss it out and take back to Congress its authority over such vital matters as tariffs and trade. If Congress persists in the theory that it is perfectly safe and proper to turn over to the administrative branch authority and responsibility in matters of tariffs and trade, isn't it logical to expect that soon you will be asked to surrender your authority over, and responsibility for the imposition and expenditure of tax revenues?

Resistance to encroachment is usually easier the first time.

Members of the rubber footwear division, the Rubber Manufacturers Association, Inc.; Bata Shoe Co., Inc., Belcamp, Md.; Bristol Manufacturing Co., Bristol, R. I.; Cambridge Rubber Co., Cambridge, Mass.; Converse Rubber Co., Malden, Mass.; Endicott Johnson Corp., Johnson City, N. Y.; Goodyear Footwear Corp., Providence, R. I.; Goodyear Rubber Co., Middletown, Conn.; Hood Rubber Co., Watertown, Mass., division B. F. Goodrich Co.; La Crosse Rubber Mills Co.; La Crosse, Wis.; Mishawaka Rubber & Woolen Manufacturing Co., Mishawaka, Ind.; Servus Rubber Co., Rock Island, Ill.; Tingley Rubber Co., Rahway, N. J.; Tyer Rubber Co., Andover, Mass.; U. S. Rubber Co., New York, N. Y.

The CHAIRMAN. The first witness is the very Honorable Price Daniel.

Senator CARLSON. Mr. Chairman.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. I regret it, but the Post Office and the Civil Service Committee have set a meeting for 11, and they have advanced that now to 10:30, and I would like to be excused then. I regret it very much.

Senator GEORGE. Mr. Chairman, I am in the same shape on Foreign Relations. That has also been advanced to 10:30.

Senator MALONE. I have one going on at 10 o'clock but I am going to stay here.

Senator MARTIN. I might say that I got one postponed this morning that we might have the privilege of hearing this distinguished man.

The CHAIRMAN. Proceed, Senator.

STATEMENT OF HON. PRICE DANIEL, UNITED STATES SENATOR FROM THE STATE OF TEXAS

Senator DANIEL. With the permission of the committee I would like to step aside at 10:30 so that the Governor of Oklahoma may testify. I will return at the committee's pleasure.

Mr. Chairman, I appear today in support of the Neely amendment on which I have joined as a cosponsor with Senator Neely and 15 other Members of the Senate.

The first paragraph applies to natural resources and other commodities essential to the national security. It would direct the President to restrict the importation of commodities essential to national security whenever such imports endanger the expansion or maintenance of necessary domestic supplies.

I am sure the committee has read and is familiar with this Neely amendment already, but I emphasize that the first paragraph of it would apply to all commodities determined by the President to be essential to the national security.

Then the second paragraph of this amendment would place an absolute quota of 10 percent on foreign oil imports, 10 percent of the total domestic petroleum demand for the previous year, as determined by the United States Bureau of Mines.

As this committee knows, there is nothing new or impractical in the system of imposing quantitative restrictions on imports. This system has been, and is being, widely used by our Government in exercising its constitutional powers over foreign trade. Import quotas are now provided for on a large number of commodities such as cattle, fish, nuts, cotton, wheat, barley, sugar, tobacco, and furs. Some of these are tariff-rate quotas under which a specified quantity can be imported at reduced tariff rates, with imports over the quota being subject to higher duties. Others are absolute quotas, limiting the total quantity imported during a given period. Certain quotas, such as sugar, are specified by law. Other quotas are imposed under the provisions of the Agricultural Adjustment Act, the Philippine Trade Act, and the Trade Agreement Act itself. The Government has had much experience therefore in the methods of determining and administering such controls.

The second paragraph of Senator Neely's proposed amendment deals directly with the problem of oil imports. It provides that the total quantity of crude petroleum and petroleum products which may be imported into the United States in any calendar quarter of any year, shall not exceed 10 percent of the total domestic petroleum demand for the corresponding quarter of the previous year.

Within this overall limitation, it further provides that the total quantity of residual fuel oil imported for consumption within the United States shall not exceed 10 percent of the domestic demand for residual fuel oil. Further, the proposed amendment authorizes the President to suspend oil-import quotas during any period in which he finds that fuel supplies are inadequate to meet current national consumption. This would take care of any unanticipated shortage that might arise in the future.

Mr. Chairman, I would like for the next few paragraphs of my statement to be inserted in the record. They have to do with the history of this matter.

The CHAIRMAN. Without objection, they will be inserted.

(The statement referred to follows:)

State conservation laws result in restriction of domestic production in line with market demand to prevent waste from excessive above-ground storage. It is a sound conservation practice recognized by both State and Federal agencies. The United States Bureau of Mines forecasts the market demand or need for oil products, and the State regulatory bodies consider the waste of excessive production along with

other conservation practices in prorating or placing a maximum on the production of each well. This means that a reserve but idle domestic production capacity is accumulated. Today about 2 million barrels of domestic oil daily could be produced but is being held in the ground for lack of a market. This is because domestic production is restricted.

On the other hand, there is no legal restriction on most of the foreign oil production and none whatever on foreign oil imports. Wells in the Middle East run as high as 6,000 barrels of oil daily, while the average well production in Texas is only 19 barrels. Foreign wells, owned mostly by a few major American companies, produce oil every day, while in Texas, the largest producing State in our own country, production is shut down to 18 days per month.

Is it fair to the conservation program of the States to have it dominated and ruined by foreign imports? Shouldn't there be some legal means of keeping imports in balance with domestic production and domestic market demand? When domestic producers are restricted as to the amount of oil they can place on the American market and are convicted of State and Federal offenses for exceeding that limit, should there not be some type of restriction on foreign importers, or should they be allowed to flood the market and cause even further restriction of domestic producers?

No conservation program based in part on market demand will succeed in this country without some type of restriction on foreign imports. What would happen to the cotton allotment and parity program of this country if there was no limit on foreign imports of cotton? Cotton men can support the reciprocal trade program without fear, because there are quota provisions which protect the market against excessive imports.

But what has happened with oil—with a restricted production at home and no restrictions on imports? Since 1946, imports have increased almost 200 percent or 5 times as rapidly, percentage-wise, as domestic production. Before World War II, imports averaged about 5 percent of domestic demand. In 1946 to 1951, they averaged about 10 percent of consumption in this country. Today foreign oil supplies about 15 percent of our requirements. And all the time, I remind you, our domestic producing capacity has increased but is being further restricted almost in proportion, percentage-wise, to increased foreign imports.

Repeatedly, under State-enforced conservation laws in Texas and other producing States, domestic oil output has been slashed while imports have been on the rise. This occurred in 1949, 1950, 1953, and 1954. In none of these instances have imports been proportionately reduced.

In 1954, oil production in the United States averaged 136,000 barrels a day less than in 1953, despite increased market demand. Production was curtailed by that extent despite the fact that more than 28,000 new producing oil wells were completed during the year. Imports, by contrast, were at a historic high.

The following tabulation illustrates the extent to which domestic production had to be curtailed in principal oil-producing States in 1954:

	Average crude oil production, year 1953 (barrels daily)	Average crude oil production during low-est month of 1954 (barrels daily)	Reduction	
			Barrels daily	Percent
Arkansas.....	81,300	76,400	4,900	15.0
Kansas.....	313,900	304,400	9,500	3.0
Louisiana.....	703,100	618,900	84,200	12.0
Oklahoma.....	555,000	471,800	83,200	15.0
Texas.....	2,792,200	2,578,800	213,400	7.6

Texas had already cut in previous years until its reduction in 1954 put us at the breaking point—with only 15 days production allowed per month for part of the year.

The end to this growing encroachment of foreign oil is nowhere in sight. Any extension of the Trade Agreements Act without an amendment to solve this problem would, in my opinion, signal even further great increases in oil imports.

The independents in this industry own little or no foreign oil. They have been damaged by excessive imports. Yet, the real threat lies not in what has happened, but what can happen in the future. Oil surpluses are growing throughout the world. Most oil-producing countries of the free world, including the United States, have oil productive ability in excess of their peacetime requirements. However, only our own country, among the major free world powers is blessed with ample oil resources and productive ability to assure fulfillment of our needs for both war and peace. We must guard that position at any and all costs. I sincerely believe we can do this without disrupting our trade relationships, and certainly without disturbing our friends in oil-producing countries of the Western Hemisphere. We want their trade and can use some of their oil, but it should bear a realistic relation to our domestic production and requirements.

EFFECTS ON OUR ECONOMY

The petroleum industry in the United States is one of the greatest bulwarks to our general economy. All but 18 of our 48 States now produce oil or gas, or both. Many others are being explored, and are hopeful of being added to the producing ledger.

Throughout the Nation, about \$7½ billion worth of petroleum was produced in 1954. This exceeded the total value of all other minerals, metals, and fuels produced in the United States. In 11 of our States, including my own State of Texas, crude petroleum ranks first in value of all minerals produced. It is obvious that the health of the domestic oil-producing industry is of primary importance to these States.

In these individual States, curtailment of oil output vitally affects not only the general economy, employment, and related industries, but has a serious impact on those State governmental operations dependent upon petroleum production taxes.

In Texas, taxes on oil production amounts to 67 percent of all business and property taxes. Oil pays 45 percent of the cost of public education in Texas and 44.9 percent of the cost of higher education.

When production is slashed, our State budget is denied funds for schools, highways, colleges, and other essential public projects.

Oil production in Texas alone in 1954 was 4.4 percent, or 45 million barrels, less than in 1953. This resulted in a direct loss from our general economy of almost \$100 million, with a resulting critical loss in tax collections. In addition to this direct loss, curtailed oil production caused indirect injury to many related industries, and numerous other segments of our economy.

EFFECTS ON CONSUMERS

Excessive oil imports also have long-range implications to the consumer of oil products. Five large American-owned companies and one foreign firm control over 90 percent of the oil imported into this country. By contrast, there are literally thousands of independent oil producers operating in my State alone. The competition which exists between these producers has been the cornerstone for making this Nation the world's largest producer of oil. I cannot believe that reducing this competition through imports is in the long-range interests of the American consumer.

I believe that the proposed quotas on petroleum imports are in line with the findings contained in the recent report of President Eisenhower's Cabinet Committee on Energy Supplies and Resources Policy. That Committee clearly recognized that unrestrained imports present a threat to our domestic fuel situation and endanger our industrial growth and national defense. The Committee therefore recommended that imports be maintained in stable relation to domestic oil production. The proposed amendment to the Trade Agreements Act has the same purpose. It differs from the Cabinet Committee recommendations in only two respects. First, it establishes a relationship between imports and domestic supplies by law rather than by the voluntary action of the importing companies. The Cabinet Committee felt that voluntary action was desirable but recognized that other action would be necessary if this method failed. Second, the proposed amendment uses the period 1946 through 1951 as a basis for determining the relative position of imports, rather than the single year of 1954 used by the Cabinet Committee.

With regard to the limitation of imports by law, rather than by voluntary action, experience has led me to my somewhat reluctant conclusion that the former method offers the only equitable and practical solution. This conclusion is based on hard realities rather than wishful theory. For 2 years, Gen. Ernest O. Thompson, of the oil regulatory agency in my State of Texas, has exercised his great abilities in an effort to find a sound solution to the import problem through the application of industrial statesmanship. His efforts have been most helpful and constructive. Some of the importing oil companies responded to the need for voluntary restraint and there is little doubt that without such efforts the volume of imports would have been far more excessive than they were. Unfortunately, however, this experience served to demonstrate both the difficulty and inequity of such methods. Companies which reduced their imports were confronted by increases by other companies. The net result was an increase in total imports at the expense of the cooperating companies, the entire domestic petroleum industry, and the general economy of the States

and areas in which oil is produced. It is my conviction, therefore, that the public interest is best served by legislative standards that can be applied equally and fairly to all.

As to the proper historical period to be used in determining a fair relationship between imports and domestic oil production, recognition should be given to the conditions that have existed during recent years. Imports have been supplementing available domestic supplies to an increasing extent. As a result, an increasing curtailment has been forced upon the domestic producing industry. For example, under the conservation program of the State of Texas, the average number of days of allowed production have steadily declined each year since 1951. By 1954 Texas producers were allowed to produce an average of only 16.2 days per month, as compared with about 24 days in 1951. With a scheduled increase in imports, the outlook shows even fewer days in 1955.

Oil imports in 1954 were higher than ever before in history. Domestic oil production actually declined for the first time in several years. For these reasons, I believe that 1954 is not a desirable base period on which to provide fair restraints on oil imports. The Neely amendment recommends the more realistic and fair base period of 1946-51 when total imports averaged 10 percent of United States oil consumption. (See attached table for details.)

I would like to illustrate, for benefit of the committee, the effect of the 10-percent oil-import quota as recommended in the Neely amendment. If applied to 1955, it would permit the following volumes of imports:

[Barrels daily]

	U. S. Bureau or Mines re- ported domestic demand, 1954	1955 import quotas at 10 percent of 1954 demand
1st quarter.....	8,260,000	826,000
2d quarter.....	7,202,000	720,200
3d quarter.....	7,245,000	724,500
4th quarter.....	8,304,000	830,400
Average for year.....	7,752,000	775,200

Such import levels would be reasonable. They would provide healthy foreign trade in oil. At the same time, such restraint would solve a grievous and growing national problem, by allowing orderly increases in imports, in relation to our domestic oil requirements.

I would point out that under this amendment the importing companies would still be allowed more than twice as much of the domestic market as they enjoyed in 1946, only 9 years ago. The domestic industry certainly has not enjoyed any such percentage increase.

A further important point should be noted in connection with these proposed import quotas. Total imports of crude oil and refined products in 1954 averaged 1,052,000 barrels daily, according to the latest revised figures of the United States Bureau of Mines. Western Hemisphere countries supplied 800,000 barrels daily, with 252,000 barrels being imported from the Middle and Far East. The above quota for 1955, under the Neely amendment, would be about the total amount brought in last year from Venezuela, Mexico, Canada, and all other

neighboring countries in this hemisphere. These are the countries that provide a large market for American goods. We should encourage healthy trade with our neighbors in the interest of hemisphere solidarity and defense.

National defense is a vitally important factor that the Government could and should take into account in administering the proposed oil quotas. From a defense standpoint, for example, Canadian oil is obviously in a different category from oil in the Middle East area. Military leaders have officially testified that their order of priority for oil supplies in the event of emergency is first, the continental United States; second, the rest of the Western Hemisphere; and last, the Eastern Hemisphere. This policy should be reflected in national policies as to oil imports. Import quotas could take into account the danger of increasing dependency on Middle East oil versus the relative security and accessibility of oil from neighboring countries in this hemisphere.

There are a number of other factors, of course, that the executive branch of Government would consider in administering these quotas. These include various problems in the field of international relations and trade. Without depreciating either the importance of the complexity of these problems, import quotas in general, and oil quotas in particular, are both practical and necessary when the Nation's welfare and security are advanced by such action.

I firmly believe that this proposed amendment to our trade program is in the broadest public interest and is vital to the future security of America. I urge this committee to give it careful and favorable consideration.

In 1949 the National Petroleum Council, in an advisory capacity to Government, enunciated its now accepted policy that imports should only "supplement our oil supplies on a basis which will be sound in terms of the national economy and in terms of conservation."

In July 1950, the council further elaborated upon its adopted import policy which the following statement:

Fair and equitable relationships should obtain between total imports of crude oil and its products and total demands for oil in the United States during periods of excess availability of domestic oil for United States consumption.

The domestic oil industry, as many on this committee realize, has long urged and awaited industrywide cooperation to the end that this policy be implemented voluntarily. State conservation officials urged American importing companies individually to restrain their imports in relation to domestic requirements.

Mr. Chairman, I would like to insert at this point in my remarks a letter which I have just received yesterday from Gen. E. O. Thompson as to the seriousness of foreign oil imports, and the need for some type of restriction thereon.

The CHAIRMAN. Without objection it will be inserted.

(The letter from Gen. E. O. Thompson follows:)

RAILROAD COMMISSION OF TEXAS,
Austin, March 11, 1955.

Senator PRICE DANIEL,
United States Senator from Texas,
Senate Office Building, Washington, D. C.

DEAR PRICE: In response to your telegram, imports of oil and petroleum products into the United States continue to make increasingly difficult the marketing of domestic-produced crude. For the 4 weeks ending February 25, 1955, there was imported into the United States 793,400 barrels of crude oil per

day and 562,800 barrels of products per day, making a total of 1,356,200 barrels of crude and products imported per day into the United States.

Texas is operating her 155,000 oil wells only 18 days this month for the reason that we cannot sell any more oil than we can produce at most efficient rates in 18 days, thus compelling a shutdown for 13 days that we could be producing in Texas at least 703,000 barrels per day more crude than we can now sell due to this constantly growing amount of imported crude.

Our State laws very properly limits production, first, to that amount that can be produced without causing physical waste in the production thereof, and, second, our market-demand statute forbids the production of oil in excess of what can be sold. This is to prevent waste through evaporation and fire hazards and storage unnecessarily held above ground.

So it is plain that, as imports increase, our oil wells will have to be cut down and cut down and cut down continuously to the advantage of those importers who bring oil in from foreign countries.

There is at this time in storage above ground in the United States a total of 259,830 million barrels of crude oil, which is ample. Our daily crude oil production as of the week ending February 25 was 6,749,000 barrels daily. There is no shortage of oil in this country, and there is no need for the excessive imports that are coming in at this time.

I am of the firm conviction that imported crude and imported products of petroleum have now reached the point where they are supplanting domestic crude. This is wrong. It should not be allowed to prevail. It is perfectly all right for imports to supplement our supply; and by supplementing I mean we could favorably import products that cannot be economically made from our high gasoline-content crude. That is supplementing. But supplementing should not be allowed to reach the point where it supplants; and I think it is obvious that imported crude is supplanting Texas crude when we have to shut down 13 days a month because we cannot sell our own home-produced oil due to the flood of foreign crude and products coming into this country.

This sort of situation must not be allowed to continue, because it will mean discouragement of drilling in this country due to the allowables having to be so small per well per day, and will endanger our supply of oil for the national defense of our country. We cannot depend on foreign oil for national security, because, come war, foreign oil would be denied us through the sinking of tankers. Anyone who will study the sinkings of World War II will readily agree with this statement, and it is my understanding that there are many new submarines in the world today which, come war, would pounce upon our shipping. Tankers would be the No. 1 objective.

Sincerely yours,

(Signed) ERNEST O. THOMPSON.

Senator DANIEL. On June 24, 1954, and again on August 13, 1954, I spoke in the Senate concerning the harmful effects of excessive oil imports and called for voluntary solution. I advised that if import cuts were not forthcoming, I would support corrective legislation in this session of Congress. I ask that a copy of my speech of August 13, 1954, be inserted here as a part of my remarks.

The CHAIRMAN. Without objection it will be inserted.

(The speech of Senator Daniel of August 13, 1954, follows:)

IRAN AND OIL IMPORTS—

Need for a Proper Balance Between Imports and Domestic Production

(Speech of Hon. Price Daniel, of Texas, in the Senate of the United States, Friday, August 13, 1954)

Mr. DANIEL. Mr. President, Americans rejoiced a few days ago to learn that the bitter British-Iranian oil dispute had been settled and that this valuable natural resource will be available to the Western World rather than to Soviet Russia.

The community of free nations stands to gain from this settlement. The western nations will have access to the oil, and revival of the industry will add greatly to the stability of the whole Middle East.

All of this will be true, Mr. President, only if Iranian and other Middle East oil producers use discretion, judgment, and statesmanship in determining the amount of oil which they will export to western oil-producing nations.

Even now oil imports to the United States are too high. They have reached the point of supplanting rather than supplementing domestic production.

A better balance between the two must be established if we are to prevent great losses and eventual destruction of our domestic petroleum industry.

Let me make it clear, Mr. President—I realize that we must keep Middle East oil from going to Russia. We must receive some imports to supplement domestic production. However, it is equally important that we preserve and protect our domestic oil industry. It will serve no useful end for America to save the economy and oil industry of the Middle East if it is done in a manner that would destroy the economy and national defense potentialities of the United States.

Other Middle East countries must reduce their total output of oil proportionately so as to absorb the Iranian production when it is resumed. The total imports from the Middle East must be kept within present figures, or reduced, if we are to prevent destruction of the domestic oil-producing industry.

DANGERS OF EXCESSIVE IMPORTS

Mr. President, we have reduced domestic production to the breaking point. In Texas our conservation commission—the Texas Railroad Commission—has found it necessary to cut production of Texas wells to 15 days per month. This situation is not confined to Texas. While we have made the largest reductions in output, other States and producers have been similarly affected.

Excessive imports constitute a threat to the economic health and security of the entire Nation. Accessible oil at home is vital to our defense. Foreign supplies are not reliable if war should come.

Some have argued that we should use the Middle East oil now and save our own for the future. That would be excellent if we knew where all the oil in this country is located and if our domestic industry and its millions of employees could go without their livelihood for several years on end. Neither of these conditions is possible. All of the oil in this country has not been discovered. The search for new reserves must continue, and it can and will continue only if there is a healthy and profitable industry. The search for new oilfields is being retarded even now by necessary reduction of production.

INDEPENDENTS SUFFER MOST

A man will not risk a million dollars wildcatting for new oilfields if he cannot expect to produce at a rate necessary to return the cost of his investment. Giant corporations may be able to wait but not the independent producers, who are the lifeblood of a healthy oil industry.

Five major American oil companies will share in the new eight-company monopoly established by the settlement with Iran. These companies have other holdings in the Middle East. They can survive the blight of excessive imports, but not so with the independent producers whose income is confined to domestic production. Their problem was recently explained in an editorial in the August 6, 1954, edition of the Abilene Reporter-News, of Abilene, Tex. I ask unanimous consent that the editorial be inserted at this point in my remarks:

"OIL IMPORT PROBLEM

"The bothersome and dangerous Iranian oil situation was near to settlement Thursday as representatives of 8 big Western oil companies and the Iranian Government announced an agreement to start up that country's paralyzed oil industry within 2 months, after the long shutdown resulting from the dispute between British oil interests and the Iranian Government.

"The great Abadan refinery and the surrounding oilfields will be operated by a consortium of the eight companies. The contract runs for 25 years, with the privilege of three 5-year renewals.

"Four of the eight operating companies are American—Standard of New Jersey, Standard of California, the Texas Co., and Socony Vacuum.

"While this is good news to the Western world because it removes the threat of Communist conquest of Iran and its great oil riches, it carries implications of trouble for our own oil producers. It means Iranian oil will once more flow into world commerce, and as it finds markets here and there it will tend to flood the United States with oil imports particularly from South America.

"Heavy imports to this country have already pinched our independent producers, forcing cutbacks of production particularly in Texas. The blow falls heaviest on the independents because the majors are both producers and importers.

"Although the independents have steered away from handling the problem by higher tariffs, in the interest of world trade as a definite part of building dikes against communism, the Independent Petroleum Association of America, headquarters in Tulsa, recently proposed a reciprocal trade policy for United States oil imports.

"Basically, this plan would apply to each country exporting oil to the United States a volume of oil related to the amount of United States goods it imports. Since this preserves the very spirit of reciprocal trade agreements, it offers a persuasive and sensible solution to a problem that, unless remedied, may work untold financial injury and perhaps ruin upon the independent oil producers of Texas and other States."

Mr. DANIEL. Due credit should be given to the American oil companies operating in the Middle East for the extent to which they have reduced imports by practicing industrial statesmanship. I referred to this in a speech in the Senate on June 24—Congressional Record, pages 8395 to 8396. However, they must do more. Only additional voluntary reductions by importers of foreign oil will solve this problem without legislation. I hope that we can avoid legislation, but as stated in the speech referred to, I shall advocate action by the Congress if this problem is not solved by the industry itself.

Gen. Ernest O. Thompson, chairman of the Texas Railroad Commission, is recognized as one of the world's leading authorities, if not the leading authority, on oil conservation and production. On August 4, 1954, General Thompson released a statement concerning the Iranian oil settlement and the danger of increased imports. I ask unanimous consent that General Thompson's statement be inserted at this point:

"STATEMENT BY GEN. ERNEST O. THOMPSON, CHAIRMAN, TEXAS RAILROAD
COMMISSION

"We are glad Iran has been saved for service with the free world and not lost to Russian domination. Iran was in a critical position.

"It is to be hoped that as Iran oil production is resumed that those other oil-producing countries around the Persian Gulf will reduce their output proportionally so as to avoid further flooding of the world markets with oil and causing wasteful storage.

"In 1950 when Iran closed down production of 650,000 barrels daily, these neighboring Persian Gulf countries upped their production. Kuwait was producing 350,000 barrels daily in 1950, now produces 930,000 barrels daily. Iraq was producing 136,000 barrels daily in 1950, now 600,000 barrels daily. Saudi Arabia has increased to 955,000 barrels daily now, which is 60 percent greater than in 1950.

"It would seem only fair that as Iranian oil moves back into the picture those companies operating around the Persian Gulf should reduce in the proportion that they moved into the void in 1950 and later years.

"These wells in the Persian Gulf area average 6,000 barrels of oil each per day.

"They are no deeper on the average than Texas oil wells.

"Texas oil wells average 19 barrels per well per day.

"Imported oil and products are supplanting our domestic oil here and abroad. Our oil imports increase constantly, while our oil exports dwindle.

"Due to oversupply, Texas oil wells are allowed to operate only 15 days this month of August 1954.

"There are 150,000 producing oil wells in Texas today.

"It would not seem fair to our own people to permit more oil imports."

Mr. DANIEL. On the day before the above statement was issued, General Thompson wrote me a letter replying to certain questions posed on behalf of myself and my colleague [Mr. Johnson of Texas] concerning the crude-oil import situation. I ask unanimous consent that General Thompson's letter and three enclosures be inserted at this point in the RECORD:

RAILROAD COMMISSION OF TEXAS,
Austin, August 3, 1954.

Senator PRICE DANIEL,
*United States Senator from Texas,
Senate Office Building, Washington, D. C.*

DEAR PRICE: In reply to your questions about the crude oil import situation, I am happy to give such answer as I can.

Attached hereto is a page from the Oil Daily of July 30, which shows oil imports for the past year (exhibit A). You will notice that the total per day for the week ending July 23, was 1,157,300 barrels of oil coming into this country. A year ago it was 939,000 barrels. You can see that for the past year it has been running around 1 million or more barrels per day.

Also on the same page you will note that total oil exports for the first 5 months of 1954 are down 19 percent from the same period in 1953 (exhibit B).

Texas has 150,000 oil wells producing at this time. In the month of July, Texas reduced her production 190,000 barrels per day; and on August 1, Texas had to reduce an additional 120,000 barrels per day, which makes a total cut of 310,000 barrels in Texas daily production in the last 2 months. This is really very, very hard on the independent producers.

The reason we had to reduce our production was because too much oil was in storage and too much products are on hand.

I am attaching the latest storage figures to this letter so you can see the condition of stocks on hand above ground (exhibit C). Excessive stocks above ground are wasteful, and it is our duty to limit production to the market demand; namely, the amount that can be sold.

I am of the firm conviction that imported crude and products of petroleum have now reached the point where they are supplanting domestic crude rather than supplementing our supply. I think this is an understatement, in view of the fact that Texas oil wells are being permitted under order to produce only 15 days during the month of August, and required to be shut down 16 days.

It seems obvious that when the greatest oil-producing State in our Nation is compelled to shut down more than one-half the time during the midst of the big gasoline-consuming season, certainly imports are supplanting domestic production to the detriment of our State's economy and vitally adversely affecting the revenues of our State.

You know, 56 percent of our Texas State government revenues come from oil.

This sort of situation must not be allowed to continue, because it will mean the discouragement of drilling in this country and will endanger our supply of oil for defense of our country. We cannot depend upon foreign oil for national security, because, come war, foreign oil would be denied us through sinking of tankers.

It is all right to have a reasonable amount of imports of crude into our country, but it should not be at a point that adversely affects our peacetime economy or our national security.

Sincerely yours,

ERNEST O. THOMPSON.

EXHIBIT A.—Crude and product imports

[Figures are in barrels per day]

	East of California						California crude oil	United States total im- ports
	Crude oil	Residual fuel oil	Distillate fuel oil	As- phalt	Others	Total		
<i>1954</i>								
Week ended—								
July 23	681 600	314,300	25,800	15,300	39,400	1,076,400	80,900	1,157,300
July 16	565,700	261,200	13,900	25,000	5,300	871,100	107,700	978,800
July 9	637,500	327,600	9,700	12,300	9,900	997,000	62,700	1,059,700
July 2	630,200	230,400	25,900	12,900	—	899,400	48,700	948,100
June 25	539,100	350,600	18,800	—	25,000	933,500	—	933,500
June 18	624,200	253,200	31,600	25,100	9,500	943,600	30,400	974,000
June 11	450,500	267,200	24,400	25,500	5,700	767,600	31,600	799,200
June 5	675,900	369,000	12,400	15,400	19,000	1,091,700	53,600	1,145,300
May 29	771,000	250,400	5,000	—	18,700	1,045,100	111,400	1,156,500
May 22	708,800	336,700	16,800	4,000	12,600	1,078,900	23,200	1,102,100
May 15	510,200	219,600	15,700	—	21,100	788,800	40,900	829,700
May 8	654,300	327,900	17,500	—	15,700	1,015,400	55,000	1,070,400
May 1	494,300	262,400	5,000	7,400	9,500	778,600	—	778,600
Apr. 24	661,200	285,300	15,400	15,800	25,200	1,002,900	19,100	1,022,000
Apr. 17	336,100	344,400	36,800	1,200	9,800	728,300	16,600	744,900
Apr. 10	591,100	337,900	5,000	—	24,500	958,600	92,000	1,050,600
Apr. 3	453,800	282,800	5,000	7,300	19,000	797,900	28,900	826,800
Mar. 27	655,100	357,700	5,000	—	43,000	1,060,800	—	1,060,800
Mar. 20	676,600	436,200	5,000	12,700	9,800	1,140,300	71,900	1,212,200
Mar. 13	512,700	289,100	27,000	4,300	24,200	861,300	61,700	923,000
Mar. 6	551,200	520,000	10,000	11,000	15,600	1,107,800	5,700	1,113,500
Feb. 27	596,500	432,000	20,100	9,900	25,300	1,083,800	30,300	1,114,100
Feb. 20	641,100	528,300	10,000	7,300	18,700	1,205,400	83,300	1,288,700
Feb. 13	501,800	398,300	5,000	—	41,500	946,600	135,700	1,082,300
Feb. 6	501,700	536,300	5,000	9,800	400	1,053,200	84,700	1,137,900
Jan. 30	768,400	462,300	5,000	—	17,500	1,253,200	—	1,253,200
Jan. 23	472,100	529,900	5,000	9,800	47,700	1,024,500	24,000	1,088,500
Jan. 16	682,400	436,900	24,000	—	5,200	1,148,500	24,000	1,172,500
Jan. 9	493,100	353,700	5,000	7,400	8,800	868,000	114,300	982,300
Jan. 2	538,800	452,200	7,500	6,400	400	1,065,300	39,100	1,104,400
<i>1953</i>								
Week ended—								
Dec. 26	340,400	457,000	17,700	10,600	25,600	851,300	116,600	967,900
Dec. 19	683,900	365,700	10,800	—	19,200	1,085,600	—	1,085,600
Dec. 12	529,400	520,200	8,400	9,700	9,000	1,076,900	19,100	1,096,000
Dec. 5	486,300	321,300	5,000	7,900	25,900	846,400	67,100	913,500
Nov. 28	580,500	532,900	5,000	—	18,700	1,137,100	29,600	1,166,700
Nov. 21	498,500	315,900	7,400	17,200	—	809,000	86,700	895,700
Nov. 14	631,600	484,600	5,000	—	25,400	1,146,600	143,000	1,289,600
Nov. 7	496,600	344,300	5,000	7,300	8,800	862,000	74,400	936,400
Oct. 31	607,500	381,600	11,400	—	9,200	1,008,700	68,200	1,076,900
Oct. 24	530,400	266,500	5,000	3,300	9,000	814,200	37,000	851,200
Oct. 17	599,900	298,800	5,000	4,000	27,100	934,800	48,900	983,700
Oct. 10	650,400	209,700	5,000	18,000	—	883,100	—	1,020,200
Oct. 3	720,100	369,900	17,200	3,400	24,400	1,135,000	126,600	1,261,600
Sept. 25	489,800	293,600	11,400	—	8,900	803,700	59,300	863,000
Sept. 19	619,700	347,500	5,000	23,000	14,000	1,009,200	79,000	1,088,200
Sept. 12	487,600	342,700	5,000	—	—	835,300	110,600	945,900
Sept. 5	616,900	240,400	5,000	7,100	—	869,400	151,600	1,021,000
Aug. 29	733,300	229,700	11,400	17,900	14,300	1,006,600	55,400	1,062,000
Aug. 22	440,200	236,800	21,700	10,700	10,300	689,700	137,000	826,700
Aug. 15	570,600	246,600	5,000	14,200	9,900	846,300	60,300	906,600
Aug. 8	557,400	212,700	5,000	—	—	765,100	115,100	880,200
Aug. 1	547,600	270,800	5,000	14,600	—	838,000	91,900	929,900
July 25	555,500	318,400	12,000	—	10,400	896,300	42,700	939,000

EXHIBIT B

[From the Oil Daily of July 30, 1954]

TOTAL OIL EXPORTS FOR 5 MONTHS DOWN 19.2 PERCENT FROM 1953

Exports of crude and refined oil for the January–May period of 1954 held 19.2 percent below the like 5-month period a year ago.

Exports for May 1954 alone held 3.2 percent below May 1953, according to the latest report of the Bureau of Mines.

Total exports in the 5-month period amounted to 52,893,000 barrels, off 12,601,000 from 65,494,000 a year earlier. For May, total exports at 11,577,000 barrels dipped 376,000 from 11,953,000 for May a year ago.

Crude oil exported in the January-May period totaled 5,932,000 barrels, off 44.3 percent from 10,837,000 in the like year earlier period. For the latest reported month, crude exports totaled 1,258,000 barrels, off 21.9 percent from 1,611,000 for May 1953.

Refined petroleum exported from the United States in the first 5 months of 1954 at 46,691,000 barrels dipped 14.1 percent from 54,657,000 exported in the like 1953 period. May refined product exports totaled 10,319,000 barrels, off 0.2 percent from 10,342,000 exported in May 1953.

EXHIBIT C.—*Latest petroleum stock figures*

[In barrels].

[Products, July 23; crude, July 24; with changes from year earlier]

			<i>Percent</i>
Crude oil.....	279,885,000	-225,000	(-0.1)
Gasoline.....	158,844,000	+17,136,000	(+12.1)
Distillate.....	98,412,000	+582,000	(+0.6)
Kerosene.....	31,069,000	+1,196,000	(+4.0)
Residual.....	53,585,000	+4,699,000	(+9.6)
Total.....	621,795,000	+23,388,000	(+3.9)

Mr. DANIEL. I shall take the liberty of sending these letters and exhibits to the President of the United States along with my remarks. I hope that President Eisenhower and the appropriate agencies of his administration will study this problem in order that recommendations may be made to Congress in January.

It seems to me that this is an appropriate subject for study by the President's newly appointed Cabinet Committee on Energy Supplies and Resources.

I know that President Eisenhower is conscious of the need to preserve and protect our domestic industry while we are helping to promote the welfare of other nations. On May 28, 1953, the President approved a statement by Secretary of the Interior Douglas McKay to the National Petroleum Council, the part of which read as follows:

"I am hopeful that those companies importing crude oil or products will show industrial statesmanship in this important matter and that each company, acting individually and wholly on its own individual judgment, will exercise that restraint in respect of imports necessary to the health and security of the Nation.

"I have discussed this matter with President Eisenhower and the National Security Council. I can say to you that President Eisenhower concurs in these views."

Later, in his state-of-the-Union message, January 4, 1954, President Eisenhower said that recommendations would be made, from time to time, in various fields. He said one of these would lead to the adoption of a sound program for safeguarding the domestic production of critical and strategic metals and minerals. It is my hope that the President will include the oil-import problem in his recommendations to the Congress next year.

Senator DANIEL. No voluntary solution has been realized. I therefore have concluded that through inability voluntarily to hold imports to reasonable levels, the importing companies have in effect themselves invited a legislative correction.

Now, here is the situation in which we find ourselves. All of the domestic producers in this country, or practically all of them, are operating under a restrictive production allowance. That is because we have in our States conservation laws and regulations which provide that each well can produce so much oil. They take into consideration the maximum efficiency rate of production. Also these oil-conservation bodies and our State laws take into consideration the market demand for oil. The United States Bureau of Mines puts out a forecast monthly of the need for oil products in this country, and the State regulatory bodies consider the waste of excessive production along

with other considerations in prorating or placing a maximum on the production of each well each day.

They take market demand into consideration, because to produce in excess of that amount would cause waste by aboveground storage. The best place to keep your oil to prevent waste is in the ground. Therefore, our conservation laws in our States and our conservation agencies in our States under law require domestic producers to hold their production down to a certain fixed amount.

For instance, last year in Texas our production was cut down as low as 15 days per month. Today we are producing in Texas only 18 days per month.

Now, Mr. Chairman, it seems a very unfair thing indeed for domestic producers to be restricted by law, and to be held down in their production somewhere within market demand to prevent waste which has been approved by both our State and Federal agencies, and then to let foreign importers of oil come in here with a wide open allowable and throw on the market any amount of oil that they desire.

In other words, you can see that our State conservation system will be ruined completely if the foreign importers do not voluntarily restrain themselves, or if we do not have some kind of legislation.

Now, we have tried for several years to get them to voluntarily restrain their imports and keep them somewhere in line, cut them down when our domestic demand is reduced, just like the State agencies cut down domestic production. But they have failed to do it.

The CHAIRMAN. Have you got the figures on the percentage basis of the importation of foreign oil?

Senator DANIEL. Since 1946 they have increased 200 percent.

The CHAIRMAN. What is the percent now?

Senator DANIEL. About 15 percent of the total domestic consumption, domestic production or demand, is furnished now by foreign oil imports.

Senator KERR. Wasn't it at least that last year, and hasn't it materially increased this year?

Senator DANIEL. It was 15 percent last year, and for the past few weeks of this year there was an increase of about 17 percent over the same period of last year.

In other words, this thing is going up instead of going down. When our domestic producers are being regulated and being held down in line with market demand, and foreign imports are increasing, you can see that the importers are just taking up the market that the domestic producers have been cut out of. They are going to ruin our conservation system in all of our States if they are allowed to continue unrestrained.

Senator GEORGE. How much oil is there in this quota that you are asking for if this went into effect, how many more days, measured in days and hours?

Senator DANIEL. How many more days' production?

Senator GEORGE. Yes sir; for each State and each producing well?

Senator DANIEL. Well, if this went into effect, Senator, it would be about 5 percent more production than we now have domestically.

Senator GEORGE. Well, 5 percent of 15 days is how much? You said you had 15 days, that is the State law.

Senator DANIEL. We have 18 days production now per month.

Senator KERR. Senator, the difference would be apparent here. You see, Texas is being held at 18 days, and many States, on account of just having stripper-well production, to 30 days. So actually if this were done there would be about 4 or 5 States that would get the principal opportunity of increasing their production. It would mean an additional 3 or 4 days to Texas at least.

Senator DANIEL. Senator George, even a 5-percent increase in domestic production would be a great thing for our State.

Let me just give you an example. In 1954 our State found it was necessary to reduce production 4.4 percent over 1953. Now, the direct loss to the economy of the State of Texas was about \$100 million. It was more than a \$5 million loss in State taxes to say nothing of local taxes. Now, when you take 4.4 percent cut and it knocks out the \$100 million of income and the production taxes based on a percentage thereof, you can see how it damages the State. If this amendment had been effective, we would not have had to take that much reduction.

Senator GEORGE. You haven't got any unusual situation in restricting your own output and then having the Federal Government let in some other products of the same type. The chairman of this committee and I have had that experience in peanuts. We are under very rigid control, and the farmer is. Nevertheless, we are getting in 51 million tons of foreign peanuts.

Senator DANIEL. That is right. We are not alone. But I want to say this, Senator, of all the products and commodities being hurt and damaged by foreign imports, it seems to me that we might be a good example of being alone, without any kind of quota under the law, or any kind of protection under the law. Today most of our farm products are under quotas. We have absolute quotas on dairy production, cotton, barley, oats—

Senator GEORGE. Just a minute. You have got it on cotton, but you haven't got it on the fabricated product, and that is where it hurts.

Senator DANIEL. Well, sir, I am speaking about cotton.

Senator GEORGE. You are talking about raw cotton?

Senator DANIEL. Yes, sir; raw cotton, barley, oats, rye, and sugar. Now, you take for instance on our cotton allotment program and our parity price system in this country, it could be ruined if we did not have some kind of quota system on foreign imports on cotton. That is what we are facing in the oil industry today. We have a conservation program which some people have criticized, that is true. But without it I don't see how we could keep all of the employment today that we have, or the tax revenues now going to the State, local agencies of government, and the Federal Government. Certainly we could not realize as much actual production and use of oil and other natural resources without this program. It has been approved by both State and Federal agencies, and recognized as a wonderful program. It is going to be ruined if we continue to let foreign oil imports come in without any restriction.

Now, then, another important thing—

The CHAIRMAN. May I ask you this question?

Senator DANIEL. Yes, sir.

The CHAIRMAN. As I understand it, from the latest figures available, this would mean a reduction of 5 percent on the basis of the consumption, total consumption, of this country?

Senator DANIEL. Yes, based on the total consumption or total market demand for the same 3 months of the previous year.

The CHAIRMAN. What countries would be affected by this?

Senator DANIEL. Well I have the figures in my prepared text and will come to them later if I may. However, they show that for the first quarter of 1955, according to the United States Bureau of Mines, reported domestic demand for the same quarter of 1954, this would permit 826,000 barrels daily of imported oil and oil products.

Now, that would be more oil than we were importing from our Western Hemisphere countries. It would not be enough to take care of all the present imports from the Middle East. That is where we are really being hurt. But as far as Venezuela, Mexico, and Canada and all the neighbor countries in this hemisphere are concerned, it would be sufficient to take care of those countries.

And, members of the committee, as far as national defense is concerned, it seems to be that these neighboring countries are the ones to be considered. If this quota is administered on a reciprocal basis, that is, on the basis of trade that we have with other countries, we could take care of all of the importing countries in our Western Hemisphere pretty well under this amendment, with very slight reductions.

The CHAIRMAN. What agency will determine from what countries this 10 percent will come?

Senator DANIEL. Well, under other quotas we have the Tariff Commission's recommendations with the President making the final determination under recommendations from the Tariff Commission. And under some of these laws it is provided—for instance, under agricultural products it is provided that the determination is made by the Secretary of Agriculture. He advises the President, and the President makes that determination.

The CHAIRMAN. Is that carried out in the amendment, I mean the exact process whereby this reduction is distributed?

Senator DANIEL. No sir. The amendment does not carry out the exact process by which the quota would be distributed. But I will present different types of procedures that have been used under other quotas, Senator. I think there are several different procedures that the executive department can use. That would be a matter for the executive department to determine.

I think one of the best is the reciprocal trade basis. Of course, they might take into consideration other things also. But as my statement shows, I have several illustrations of the quotas that have been set up in this manner, and how the executive agencies have taken over and administered those quotas.

Now, one of the most important things, it seems to me, is the matter of national security. The President's commission, which has recently made its report, states clearly that if imports are increased to any great extent beyond what they were in 1954, our domestic industry and the national security would be seriously damaged. That report says:

The committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and the discovery of new sources of supply.

Now, the committee goes on to say that they think that this restriction ought to be voluntary. But it adds that if voluntary restrictions do not come, then appropriate action should be taken.

Now, Mr. Chairman, our 10 percent figure is lower than the President's commission would advocate under their recommendation of 1954 as a basis. Our 10 percent figure has been arrived at from the average of imports between 1946 and 1951 and what they bore to the domestic demand and the domestic production for that period.

Now, it would be unfair, it seems to me, to take 1954 as the gage, because in 1954 we had our State agencies restricting domestic production, trying to take care of the situation here. It certainly would not be a fair thing to take that as the basis which we should use for restricting imports to this country.

The President's committee does say that if you have too much oil imported into this country you will endanger the national security. If you will read General Thompson's letter, which I have already inserted here in the record, you will see that this man, who has had great experience in war, long experience in the Army, and great experience in seeing that sufficient oil was provided for a war, says we have already reached the danger point; that we cannot continue to find new reserves in this country unless we have sufficient incentive, a sufficient market to require industry to go out and look for new reserves.

I want to conclude the remarks that I have right at this time, and I will return after the Governor finishes his remarks and after I attend another committee. But I would like to conclude, Mr. Chairman, with just this thought. It is our independent oilmen who are being hurt by this foreign import situation. And they are the backbone of the industry. Without them, the competition that they furnish, we would not have the great oil industry that we know in this country today.

Our independents have little or no foreign oil. Of course, you may find one or two exceptions. The only one I know of who is opposing this amendment does own foreign oil in one of our nearby countries. But by and large your independents have no foreign oil. Your 5 big major American oil companies, and 1 foreign company, have 90 percent of all these imports of oil from foreign countries. The major companies that own the foreign oil, of course, can get by with very little protection here at home. They don't mind holding their domestic oil in the ground, and they can go along all right with it, because they own the foreign oil that is coming in and being produced at so much cheaper prices. But your independent operators—and there are thousands of them in this country—without the foreign oil cannot compete with the majors. The consumer in the long run is going to be hurt if we allow these foreign oil imports to increase under the 90-percent control of a few of our major oil companies.

We must have some foreign imports, certainly. We recognize that. But there ought to be a balance between foreign-oil imports and domestic demand in this country. That balance we have today between domestic products and our domestic demands, and that balance certainly ought to be put into effect by law, in my opinion, between foreign imports and domestic demand.

Mr. Chairman, in all fairness, I must say that some of these major companies have tried to voluntarily restrict themselves, and to stop this damage that is being done to the domestic industry—I want to

make that clear—but those who have tried the most have ended up finding other importers increasing their imports, and those who have tried to cooperate have really ended up suffering losses to those who refused to restrict their imports.

It is difficult for them to get together on any agreement under our antitrust laws, they just can't do it. So it seems to me that the only solution is some type of standard set up by the Congress which will control this thing so that the total imports will decrease or increase in accordance with domestic market demands, just like our total domestic production decreases or increases.

Senator MALONE. Mr. Chairman, could I ask one question?

The CHAIRMAN. Senator Malone.

Senator MALONE. I suppose that all of these petroleum companies that have their investments abroad and bring in their products are for the extension of the 1934 Trade Agreements Act. Do you think they are?

Senator DANIEL. Well, I imagine that quite a few of them are. I don't know, though. I haven't heard them speak. But I have read in the paper where two of them have testified.

Senator MALONE. Do you know that Secretary Dulles testified here yesterday that it would be impossible to operate this law properly without injuring some domestic industry, the smaller industries?

Senator DANIEL. I heard that he so testified.

Senator MALONE. Are you for the extension of the act?

Senator DANIEL. Senator, I will be back in a little while. I will say that without the proposed amendment, I would have serious doubts about it.

Senator MALONE. May I ask one more question?

Senator DANIEL. The Governor has to catch a plane, and I would like to keep my agreement.

Senator MALONE. In other words, Mr. Chairman, everybody wants to get out from under it, and if they can, they are for it.

Senator MARTIN. I was wondering whether Senator Daniel, when he comes back, could give us the percentage of domestic production by the so-called independent in comparison with the large companies which are now doing the importing?

Senator DANIEL. I will try to get those figures.

Senator MARTIN. I don't know whether that is available or not.

Senator KERR. I will say to the Senator from Pennsylvania that 7 companies—5 American and 2 foreign—control and own approximately 90 percent of the known reserves in the free world.

Senator MALONE. Mr. Chairman, we also have testimony that those very same companies want to be the judge as to how much oil is imported and how much is produced in the United States.

I think that would suit every industry that has investments abroad.

The CHAIRMAN. The Governor of Oklahoma, the Honorable Raymond Gary.

The Chair would like to welcome to the committee a distinguished Senator, Senator Johnson. This is his first attendance. He has been absent because of illness.

We are very glad to have you with us, Senator Johnson.

Governor, you may proceed.

STATEMENT OF HON. RAYMOND GARY, GOVERNOR OF THE STATE OF OKLAHOMA

Governor GARY. Mr. Chairman, gentlemen of the committee—
Senator KERR. May I say one word first?

Mr. Chairman, the Governor of Oklahoma is here with the committee of the Oklahoma State Legislature. A number of the senators and representatives whom he will name for the committee, and who were sent here by the Oklahoma Legislature to back up the statement and request by the Governor for a provision to limit imports, while they are not asking for time to testify before the committee, ask that, in addition to the Governor's remarks, both his statement and any statements that they care to make may be inserted in the record.

The CHAIRMAN. Without objection, it will be done.

Governor GARY. Thank you, Senator Kerr. There is a great deal of interest in Oklahoma as to this bill that is now pending. The welfare of the oil and gas industry is vitally important to every citizen in Oklahoma. Oklahoma's economy is geared to the oil and gas industry, not only by the people employed in the industry but by the economic and physical affairs of the State itself.

Approximately one-fourth of our population is directly or indirectly dependent upon the oil industry for their welfare. Approximately \$242 million per year is received in wages paid by the oil industry in Oklahoma. In addition, for the fiscal year 1953-54, the oil industry produced a gross of \$580,971,000 and paid to the State of Oklahoma a gross production tax of \$30,732,657. In excess of 10 percent of the tax revenues of the State of Oklahoma is derived from this source.

I might add that in Oklahoma, when our gross production tax on oil is high and our industry is healthy, we are able to collect additional millions of dollars from income tax. Our largest income-tax payers in Oklahoma, generally speaking, are our oil companies.

The CHAIRMAN. Did you say an additional million?

Governor GARY. Additional millions of dollars in income tax.

The CHAIRMAN. What is your income tax?

Governor GARY. Our income tax in Oklahoma in normal years—we will take 1953-54—it amounted to approximately \$17 million. It went to the support of the general revenue fund of our State government.

Senator KERR. Four percent?

Governor GARY. I beg your pardon, 4 percent on corporations, 6 percent on individuals.

When the gross production tax goes down because of curtailment in the market of oil, production and marketing of oil, it has a direct bearing on the amount of income tax that we collect. The gross production tax and the income tax are our two largest sources of revenue to support general government in Oklahoma.

If the earnings of the oil industry in Oklahoma for the fiscal year 1953-54 was turned over once our sales tax receipts from this source would amount to \$11,619,420.

Any factor which would increase unemployment, lower the wage scale of our people, cripple the vital functions of government, and adversely affect the economy of our State is of major importance to the people of Oklahoma.

Consequently, you can appreciate my interest in the effect that the increasing and excessive imports of foreign oil into the United States is having upon the economy of Oklahoma.

According to a report of the Oklahoma Employment Security Commission for December 1954 there was an overall increase of 156.25 percent of unemployment in the oil industry over the previous year. In some counties of Oklahoma actual unemployment over the previous year reached as high as 400 percent. These figures would indicate that unemployment of oilfield workers has increased alarmingly in Oklahoma.

Oklahoma's production was 16,021,000 barrels less in 1954 than it was in 1953. This 16 million barrel reduction in Oklahoma's production was the highest decrease in the Nation except one other State and was, percentagewise, a greater decrease than any other State. This 16 million barrel decrease represents almost one-third of the total decreased production of the United States in 1954. Since Oklahoma suffered the loss of approximately 14 cents per barrel in tax on every barrel that was lost in production, the actual loss in the gross production tax was approximately \$2½ million.

The producers of the State of Oklahoma cannot stand the continued loss of market. Last year the 67,581 Oklahoma wells averaged only 7.6 barrels per well per day of crude oil production. This decline in production occurred during the same year that Oklahoma's proved reserves of crude oil increased 141 million barrels, and proved reserves of recoverable natural gas increased 16 million barrels.

There is still much oil to be found in Oklahoma, but in order to find this oil there will have to be a healthy economic climate. With low per well allowables that are being given to the producers today in Oklahoma, a healthy economic climate is not possible. The domestic oil industry in Oklahoma faces a crisis. We cannot sit idly by and see the destruction of one of our principal sources of revenue.

Very recently Oklahoma suffered another blow to its petroleum industry. A refinery at Drumright, Okla., employing 189 men, announced that it was going to close permanently in the near future. It was significant to me that this same company announced, in the same week, that it was going to construct a new refinery on the eastern seaboard. With the large amount of foreign crude oil being refined on the eastern seaboard, it is only natural to assume that this refinery will use a large portion of foreign oil in its refining operations. Cheap foreign oil produced by cheap foreign labor threatens the entire domestic industry. From the standpoint of national defense, the domestic industry must remain strong.

Oklahoma views with alarm the increasing imports of crude oil. Imports of crude oil have increased faster than the increase of demands on crude oil since the conclusion of World War II. Each year it is said that last year's imports were the highest on record and it is equally true that last year's 1954 imports were the highest on record. The impact of increased imports was harder on Oklahoma, due to the greatly increased percentage of imports going to the States east of the Rocky Mountains as compared with imports to the Pacific coast. The market for Oklahoma oil has been, traditionally, "east of the Rockies," with most of its crude oil going north and east. It is very evident, with the increase of imports east of the Rockies, that Oklahoma has been affected.

Oklahoma has provided leadership in conservation and has given the oil industry a stability that could not have been obtained otherwise. The laws of Oklahoma and the rules and regulations of the corporation commission governing the production of oil in Oklahoma have been based upon advanced thinking of engineers and technologists.

Oklahoma was first to adopt laws and rules and regulations to provide for production of oil and gas without waste, utilizing reservoir energy by limiting the number of wells that may be drilled within the common source of supply, protecting the correlative rights of the owners therein, and providing for unit operations of fields to effect the greatest ultimate recovery of oil. Competition with oil produced by other nations which do not attempt to follow conservation practices is manifestly unfair.

Oklahoma drillers should not be called upon to maintain idle equipment while the developers of foreign oil continue to flood our markets. One of the principal objectives of my administration is the bringing of new industries to our State. Our legislature has just passed and I have recently signed the bill creating an economic development council for that purpose.

The thought has occurred to me that each drilling rig operating in the deep-drilling areas of our State constitutes a small industry. Each deep-drilling rig employs at least 18 men and the driller pays out approximately \$800 per day for wages and services. You can well imagine the effect of this industry upon one of the small communities in our State.

Each rig that must shut down because of a lack of market for our oil is a loss of an industry to the State of Oklahoma. It is with deep regret that I have learned that as of the week of February 14, of this year, 115 rigs were shut down in the State of Oklahoma, yet in the succeeding week of February 21, 1955, total crude oil imports amounted to 1,349,000 barrels.

Senator KERR. Per day?

Governor GARY. Per day, thank you.

You might ask what effect imports of foreign oil have upon the market for Oklahoma oil. In the United States today only a given number of barrels of oil can be sold. Each barrel of this market which is absorbed by oil imported into the United States is one less barrel that Oklahoma might have had the opportunity of marketing. Every barrel of imported oil means that Oklahoma must further restrict its production.

I do not advocate the complete elimination of all foreign oil and the importation thereof. It is my sincere belief that these imports of foreign oil should be limited to 10 percent of domestic demand. The citizens of Oklahoma hope that this Congress will act to restrict the imports of foreign oil in the United States so as to protect and insure the future of our great State.

Gentlemen, that is the prepared statement that I have submitted.

The CHAIRMAN. Thank you very much, Governor.

Governor GARY. I would like to say this, that second to agriculture the oil industry in Oklahoma is our greatest industry. Right now, with the decline in agricultural prices and the drought that we have in Oklahoma, the oil industry is just about on a dollars

and cents basis equal to the agricultural industry, even with the decline in the production of oil. But with the crippling effect pro-ration has had, curtailment in the sale of oil, plus the drought, and the decline in farm commodities, that has dealt a very crippling blow to Oklahoma's economy.

I know that it is necessary—we should have reciprocal trade agreements with other nations to carry on friendly relationships and help stimulate the world economy. But it appears to me that in the oil industry we may be going too far, especially when States like Oklahoma, that depends to such a great extent for the support of its economy on oil—we have many independent oil producers in Oklahoma that have practically gone broke in recent years because of the restrictions on the per well allowable that they are allowed to produce and market; it is having a very crippling effect on the operation of our State government.

Right now we have called for a special election to be held on April 5 to amend our constitution in order that the people might be permitted to vote additional ad valorem taxes upon themselves to support the schools.

If the oil industry in Oklahoma was permitted to produce as much oil and sell, as much oil as we produce on sound conservation practices, it would enable us to have sufficient revenue to operate our schools and other functions of government, together with other revenue that we have, without having to call upon the people to amend their constitution to permit an increase in ad valorem taxes.

It is hard for our people in Oklahoma, many of them, to understand how our Government can continue to give economic aid to some nations, part of which money finds its way into further exploration and increase of foreign oil, or tax dollars, that comes in direct competition with our own great oil industry.

I notice in one of the national magazines for the month of November—and this happens to be significant to me, because that is the month that we hit our lowest level, I believe, in the production and sale of oil in Oklahoma—and that was prior to the time the legislature convened, and it looked like we were going to have a greater shortage in our funds to support our Government than it appears now that we might have—but I noticed in this magazine that a Mr. McCobb of the Standard-Vacuum Oil Co. had signed an agreement that gives the Standard-Vacuum Oil Co. the right to drill for oil in a 20,000-square-mile area in east and west Pakistan. I have gathered information to the effect that the Government of Pakistan, of course, will finance 25 percent of this exploration.

I know that that is one of our friendly nations, and we want to maintain that friendly relationship with that nation and other nations that are friendly to us in Europe and over the world. But when we furnish our tax money, apparently, to help finance the exploration of oil, it has a very crippling effect on Oklahoma's economy, it causes the people in Oklahoma to become greatly disturbed. We would like very much for this Congress to restrict imports of foreign oil to 10 percent of the national consumption. If that can be done, we feel that in Oklahoma we would be able to maintain a healthy petroleum industry, and it would help us in keeping our State's economy on a

sound and better balanced basis. There would be better living, of course, for the people of Oklahoma.

I appreciate very much as Governor of Oklahoma having the privilege of appearing at this hearing. I would like to ask permission to supplement the statements that I have made by leaving these telegrams that I have received since I arrived in Washington. These telegrams are from the northeastern section of Oklahoma, part of them, the tri-State zinc area.

The zinc industry in the tri-State district of Oklahoma is suffering like the oil industry, on a similar basis, because of imports of zinc. They are asking that the Government, the National Congress, take a look at this problem with a view of trying to render some aid.

Then I have some additional telegrams from the glass-producing area of Oklahoma. We find that the people in the glass industry in the glass-producing areas are suffering just like they are in the imports of foreign oil. We find that we pay our average glassworker in Oklahoma \$2 an hour, which is much more than the foreign glassworkers are able to earn. It makes it very hard for our glass industry in Oklahoma to compete with the foreign-manufactured glass. I would like to have these telegrams inserted into the record.

The CHAIRMAN. Without objection, it may be done.

(The telegrams follow:)

MIAMI, OKLA., March 14, 1955.

HON. RAYMOND GARY,
Governor, State of Oklahoma,
Hotel Statler, Washington, D. C.:

Business and labor in the tri-State area have been seriously affected by the importation of foreign zinc. I seriously urge you and your committee to include the zinc industry in the tri-State district in your protest in the importation of residual oil. Both cases are identical.

MAC BARTLETT,
Managing Editor, Miami Daily News Record.

MIAMI, OKLA., March 14, 1955.

HON. RAYMOND GARY,
Governor, State of Oklahoma,
Hotel Statler, Washington, D. C.:

The future of the tri-State mining district is now being affected by the huge importation of foreign zinc. Local operators find it almost impossible to compete with the low price of foreign ores and we therefore urge you to include zinc in your protest of residual foreign oil.

MERRILL CHANEY,
President, Miami Lion's Club.

MIAMI, OKLA., March 14, 1955.

HON. RAYMOND GARY,
Governor, State of Oklahoma,
Hotel Statler, Washington, D. C.:

Labor and industry in the tri-State district will be greatly benefited if you can include zinc in your protest of importation of residual oil. Will you please include zinc as both cases are identical.

JOHN F. ROBINSON.

SAPULPA, OKLA., *March 14, 1955.*

Hon. RAYMOND GARY,

Governor of Oklahoma, Hotel Statler, Washington, D. C.:

Bartlett-Collins Co. is definitely opposed to lowering of tariffs in connection with trade agreements permitting foreign goods to enter this country in competition with American goods. United States tariffs are among the lowest in the world, and further reductions will be a low blow to the glass industry. Profits will fall, unemployment will increase, and standard of living drop. If have to compete further with products created by poorly paid labor of Japan, Italy, Czechoslovakia, and other low-wage countries in protection of the American glass industry and your constituents in Oklahoma we rely upon your carefully considered judgment.

BARTLETT-COLLINS CO.,

G. O. NICKEL,

*Traffic Manager.*MIAMI, OKLA., *March 14, 1955.*

Hon. RAYMOND GARY,

Governor of Oklahoma, Hotel Statler, Washington, D. C.:

This organization is vitally concerned in the price of zinc. Due to the low domestic price labor and industry have been seriously affected in this district. The low price is partially due to the large importation of foreign zinc. While in Washington we urge you and your committee to present our case in connection with your protest of the importation of residual oil. Any help you may give will be greatly appreciated.

GEORGE H. WALBERT,

*President, Miami Rotary Club.*MIAMI, OKLA., *March 14, 1955.*

Hon. RAYMOND GARY,

*Governor, State of Oklahoma,
Hotel Statler, Washington, D. C.*

Employment in the zinc mining in this district has steadily declined and small-mine operators have been forced to shut down due to the price of zinc which has been held to a minimum price partially due to the importation of foreign zinc. Will you and your committee include the zinc mining industry in your protest of the importation of residual oil. Unless some relief is afforded the mining picture in this district will indeed be very black.

WILBUR WORLEY.

MIAMI, OKLA., *March 14, 1955.*

Hon. RAYMOND GARY,

*Governor, State of Oklahoma,
Hotel Statler, Washington, D. C.*

A survey of the retail merchants in the tri-State district shows acute distress attributed directly to the depressed zinc prices. For example Montgomery Ward has pulled out of Miami, Safeway, and J. C. Penny out of Picher, Okla., and a number of small merchants have been forced to close, as well as an overall steady decline in retail sales. Labor is seriously affected. We are rapidly reaching a point where this could very well become a distress area if some relief is not granted to zinc mines. We especially urge you and your committee to include the zinc industry in this district in your protest in the importation of residual oils. Our cases are parallel.

K. E. KIMMEL,

Chairman, Legislative Committee Miami Chamber of Commerce.

Governor GARY. Again I want to say that I appreciate very much the privilege of being here. We do have, as Senator Kerr pointed out, a very strong delegation from Oklahoma representing the Oklahoma Legislature.

We have Senator Jim Rinehart, chairman of the revenue and taxation committee; Senator Fred Chapman; Senator Carl Morgan; and we have from the house side Representative J. D. McCarty, floor leader of the house of representatives; Jim Bullard; Representative Bob Burton; and I believe Senator Frank Mahan from one of the oil-

producing sections of the State, the chairman of our roads and highways committee.

I might add that part of our gross production tax on oil goes to maintain our highways.

I would like to supplement my statement further by inserting that statement into the record.

The CHAIRMAN. Without objection it may be inserted.

(The statement referred to follows:)

STATEMENT OF MEMBERS OF THE OKLAHOMA LEGISLATURE TO THE SENATE FINANCE COMMITTEE, MARCH 15, 1955

Mr. Chairman, members of the Senate Finance Committee, we, the undersigned members of the Oklahoma Legislature here in Washington to appear before your committee to urge that a quota, or other suitable control be placed on the flood of foreign oil now being imported into this country, respectfully ask your consideration of the following facts:

(1) Officials of the big oil companies appearing before your committee have testified that domestic oil activities, including exploration, were at an all-time high in the year 1954, in spite of the enormous imports of oil. We find that officials of the same companies in the midcontinent oil area are telling a far different story. They tell us, and others proposing to drill wells the following: "We have too much oil now," or, "we are shut down on new drilling," or, "we are only drilling our expiring leases that we are unable to renew."

The facts are that there is a big slump in drilling activity, with rigs being stacked and men thrown out of employment, due to excessive imports of oil. The authoritative reporting agency, Research Oil Reports, in its weekly report states that for the past week in Oklahoma there were 147 well completions which was 23 less than the previous week, and that there were 148 new well locations which was 61 less than the previous week. That illustrates the actual conditions in the last part of 1954, and so far in 1955.

(2) That this country has been a net oil exporting country and its strong position in oil production, in peace and in war, was because it was not harassed with a flood of oil imports such as has come into this country since 1948. We attach hereto a schedule of oil exports and imports into this country from 1918 to 1955, inclusive, which show that every year this country exported more oil than was imported except for small amounts in 1920, 1921, and 1922, and that the big flood of imports started in 1948, and has grown worse until it has now reached the enormous amount of 1,349,000 barrels per day for the week ending February 11, 1955.

(3) That the 5-percent gross production tax on oil and gas in Oklahoma fell off about \$2½ million in a recent 6-month period due to cutting back the production of Oklahoma wells at the same time imports of foreign oil were increasing. While the State treasury was losing \$2½ million, the well owners, farmers, and royalty owners were losing \$57 million income.

(4) The safety of our Nation requires a healthy and aggressive oil industry to furnish an abundant and available supply in time of war when imports of oil are impossible.

In closing, we respectfully ask you to ponder well these two facts:

(a) Imports are merely a day-to-day supply of oil in peacetime only and in nowise can be classified as reserves to be relied upon in event of war, and

(b) The relationship of supply with demand is being maintained, not with any changes in the amounts of the daily imports now running around 1,300,000 barrels per day, as the importing companies would have you believe. Actually this balancing of supply with demand is being done by the States practicing conservation regulation and producing the 6½ million barrels per day. Oklahoma, for one, is getting tired of cutting back the economic output of its wells to take care of this increasing flood of imports.

Respectfully submitted.

JIM RINEHART,
W. A. BURTON, JR.
CARL MORGAN,
FRANK MAHAN,
J. D. MCCARTY,
JAMES M. BULLARD,
FRED A. CHAPMAN.

United States exports and imports of crude oil and refined products, by years

[Thousands of barrels]

Year	Exports						Imports					
	Crude		Refined		All oils		Crude		Refined		All oils	
	Total	Daily	Total	Daily	Total	Daily	Total	Daily	Total	Daily	Total	Daily
1918	5,884	16	62,234	170	68,118	187	37,736	103	1,227	3	38,963	106
1919	6,348	17	57,545	158	63,893	175	52,822	145	1,376	4	54,198	148
1920	9,295	25	70,323	192	79,616	217	106,175	290	2,647	7	108,822	297
1921	9,527	26	62,254	171	71,781	197	125,364	343	3,428	9	128,792	353
1922	10,804	30	63,745	175	74,550	204	130,255	357	5,719	16	135,974	373
1923	17,534	48	84,800	232	102,334	280	82,015	225	17,638	48	99,653	273
1924	18,239	50	90,089	271	117,323	321	77,775	212	16,806	46	94,581	258
1925	13,337	36	100,684	276	114,021	312	61,824	169	16,376	45	78,200	214
1926	15,407	42	116,999	321	132,406	363	60,382	165	20,938	57	81,320	223
1927	15,844	43	126,419	346	142,263	390	58,383	160	13,353	37	71,736	197
1928	18,965	52	135,931	372	154,957	425	79,767	218	11,790	32	91,557	250
1929	26,401	72	136,719	375	163,120	447	78,933	216	29,777	82	108,710	298
1930	23,705	65	132,790	364	156,495	429	62,129	170	43,489	119	105,618	289
1931	25,535	70	98,819	271	124,354	341	47,250	129	38,337	106	86,087	236
1932	27,393	75	75,882	207	103,275	282	44,682	122	29,812	81	74,494	203
1933	36,584	100	76,143	192	106,727	292	31,893	87	13,501	37	45,394	124
1934	41,127	113	73,380	201	114,507	314	35,558	97	14,936	41	50,494	138
1935	51,130	141	77,557	212	128,887	353	32,239	88	20,396	56	52,635	144
1936	50,313	137	81,681	223	131,994	361	32,927	88	24,777	68	57,104	156
1937	67,234	184	105,600	293	172,834	473	27,484	75	29,873	81	57,167	147
1938	77,254	212	116,474	319	193,728	531	26,412	72	27,896	76	54,308	149
1939	72,076	197	116,883	320	188,959	518	33,095	91	25,965	71	59,060	162
1940	51,406	141	78,970	216	130,466	356	42,662	117	41,089	112	83,751	228
1941	33,238	91	75,592	207	108,830	298	50,606	139	46,536	127	97,142	266
1942	33,834	93	83,073	228	116,807	320	12,297	34	23,669	65	35,966	99
1943	41,342	113	108,615	298	149,957	411	13,833	38	49,579	136	63,412	174
1944	34,238	93	173,378	474	207,616	567	44,805	122	47,500	130	93,311	252
1945	32,908	90	149,985	411	182,983	501	74,337	204	39,282	108	113,619	311
1946	42,436	116	110,687	303	153,123	410	86,066	236	51,610	141	137,676	377
1947	46,355	127	118,122	324	164,477	451	97,532	267	61,857	169	159,399	437
1948	39,736	108	94,938	259	134,674	387	129,093	353	59,051	161	188,144	514
1949	33,069	91	86,307	236	119,376	327	153,686	421	81,873	224	235,559	645
1950	34,823	95	76,483	210	111,306	305	177,714	457	132,547	363	310,261	850
1951	28,604	78	125,448	344	154,052	422	179,073	491	129,121	354	308,194	844
1952	26,696	73	131,492	359	158,188	432	206,591	573	138,916	379	348,507	952
1953	19,931	55	126,736	347	146,667	402	236,576	648	146,581	402	383,157	1,060
1954	13,967	38	117,155	321	131,122	359	238,606	654	149,387	409	387,993	1,063
1955 ¹	11,000	30	96,000	263	107,000	293	258,000	707	153,000	419	411,000	1,126

¹ Estimated.

Source: Bureau of Mines, except December 1954, estimate.

Governor GARY. I have nothing else.

The CHAIRMAN. If you have anything else you can send it to the clerk.

Senator KERR. Did you have some questions, Senator?

Senator GEORGE. How would this 10 percent of the imports be apportioned between the different products?

Governor GARY. We were thinking in terms of petroleum, raw, crude petroleum products, if we could have a 10-percent limitation on all crude that is imported into the United States according to the records, of course, it would have a very strong influence on our petroleum industry of Oklahoma.

Senator GEORGE. I understand that. I appreciate your problems. We have the same problem all along the east coast. My State, for instance, has all the ills that you point out about agriculture. And we have no oil, that is, none produced in commercial quantities. But we do have fuel all up and down the east coast on which most of our industries near the coast, in the coastal areas, certainly must depend.

If we have to feel the impact of the 10-percent quota on our fuel all up and down the east coast it would be a pretty terrific blow to us. Of course, we get a lot of oil from Venezuela, but Venezuela happens to be one of our best importing countries also.

Senator KERR. May I say something in that regard, Senator? This wouldn't increase the cost of your fuel oil 1 cent.

Senator GEORGE. How much would it put it up?

Senator KERR. Not 1 penny a barrel.

Senator GEORGE. Would you guarantee that?

Senator KERR. Yes. You can haul fuel oil to Georgia from the gulf refineries far cheaper than you can haul it from the Middle East, and all this would do would be just reallocate the amount that is being consumed through the domestic sources of supply, which are hundreds and thousands of miles closer to the east coast, instead of letting it continue to come from some other side of the world with the higher transportation costs.

Senator MARTIN. Mr. Chairman, I wonder if Senator Kerr would yield? I am trying to get some other things worked out. I would like to ask the Governor 2 or 3 questions.

Is that satisfactory to you, Senator?

Senator KERR. Indeed, it is a pleasure.

Senator MARTIN. Governor, you say that Oklahoma's production in 1954 is in round numbers 16 million barrels less than 1953?

Governor GARY. Correct.

Senator MARTIN. During that time Oklahoma has the—the operators in Oklahoma have been using a lot of modern methods to increase the production, but regardless of that, you will still have a reduction of 16 million barrels?

Governor GARY. Yes.

Senator MARTIN. That clears that up. In the next paragraph you state that Oklahoma has 67,581 wells, and that they average 7.6—

Senator KERR. Barrels per day.

Senator MARTIN. Barrels per day. And now, has that production been dropped off, and has the number of wells been dropping off, or have you been drilling—

Governor GARY. We have been forced to curtail the production, the allowable per well, in order to come within the market demand for oil.

Senator MARTIN. But the average per well could be in excess of 7.6 if you didn't have to curtail?

Governor GARY. Considerably. We have the potential to produce a million—how many thousand barrels more per day?

Senator KERR. Approximately twice what you now produce.

Governor GARY. I would say in the neighborhood of 500,000 barrels a day more than we are now able to market.

Senator MARTIN. Now, is Oklahoma producing this production by law, or are you getting a lot of your producers to volunteer it?

Governor GARY. No, it is actually produced by order of the Corporation Commission, which, I might say, by law—it is reduced down to comply or come within the market demand.

Senator MARTIN. Now, on the same page you have made reference to a refinery at a certain place in Oklahoma going out of business, with the statement that this operation will probably be replaced over on the Atlantic seaboard.

Governor GARY. That is correct.

Senator MARTIN. I might state that has been happening in Pennsylvania, Ohio, West Virginia and Kentucky. I know that, because I have made a survey. And these refineries have been placed in the Delaware Valley, and practically the entire production to maintain those refineries is imported oil. Do you find that to be true from your investigation?

Governor GARY. That is what we are fearful would happen and is happening. The information I have, that is one of the principal reasons for them to be located on the seaboard, is so they can have some access to the foreign oil.

Senator MARTIN. Governor, I have been informed that outside the Houston district of Texas, that the greatest expansion in refining is in what we call the Delaware Valley.

Governor GARY. That is the inclination I have.

Senator MARTIN. Thank you, Governor.

The CHAIRMAN. Senator Johnson has sent for me to come to the floor immediately, and I would like for Senator Kerr to act as chairman and take charge of the meeting.

I abdicate in his favor for the time being, until 1 o'clock today.

Senator KERR (now presiding). Governor, you stated that the number of wells in Oklahoma was some 67,000, averaging only 7.6 barrels per well per day of crude oil production. You are aware that the wells in the Middle East—Iraq, Iran, Saudi Arabia, Kuwait, and other countries—the oil wells there are producing at an average rate of in excess of 5,000 barrels per well per day.

Governor GARY. That is the information I have, running unrestricted.

Senator KERR. And that is made possible by the fact that they have practically a tariff-free market in the United States for that production?

Governor GARY. Yes. And cheap labor in the areas where they produce it.

Senator KERR. Would you be surprised to know that the average cost per barrel to discover and drill and produce and transport to the tankers on the Caspian and Mediterranean Seas does not exceed 20 cents per barrel for that oil, while the average cost of refining and producing oil in the United States is in excess of \$2.25 a barrel, which dramatizes the fact that until there is a restriction on imports of foreign oil there is no way for the domestic industry to survive?

Governor GARY. I agree with you 100 percent. The independent operators are the ones that are suffering, of course, the most.

Senator KERR. In view of the fact that the major companies do not only own over 75 percent of the oil in this country, but they and the 2 foreign companies, Anglo-Iranian and Shell, control approximately 90 percent of the known oil reserves in the free world, including those of the United States, unless there is a restriction on imports, not only will the domestic industry be destroyed by foreign competition, but tens of thousands of domestic producers will be destroyed by this competition, which, in the final analysis, benefits only 5 American companies.

Is that about the picture as you have found it to be?

Governor GARY. That is correct.

Senator KERR. Now, the distinguished Senator from Texas was here this morning talking about the oil production in his State. My information is that there are approximately 400,000 wells—

Senator DANIEL. In Texas approximately 155,000, according to General Thompson's letter to me dated March 11, 1955.

Senator MARTIN. Senator Kerr, does anybody have the information as to the number of oil wells that we have in America?

Senator KERR. Yes, sir.

Senator MARTIN. I think we ought to have that.

Senator KERR. Is Russell Brown in the audience?

Mr. BROWN. Yes.

Senator KERR. Do you have that information?

Mr. BROWN. 514,808 in the United States at the end of 1954.

Senator MARTIN. Could you give us that broken down by States?

Mr. BROWN. Yes.

Senator KERR. And the average production per well by States?

Mr. BROWN. You want it by States?

Senator KERR. Yes.

(The following table was subsequently received for the record:)

Producing oil wells and average daily production per well, at end of 1954

State	Total wells	Average daily production per well	State	Total wells	Average daily production per well
Alabama.....	113	34.5	New Mexico....	7,366	28.5
Arkansas.....	4,195	17.1	New York.....	22,500	.5
California.....	33,073	29.3	North Dakota..	441	55.1
Colorado.....	1,730	81.2	Ohio.....	15,300	.7
Florida.....	13	107.7	Oklahoma.....	67,411	7.4
Illinois.....	35,165	5.5	Pennsylvania..	80,000	.2
Indiana.....	4,957	5.9	South Dakota..	2	75.0
Kansas.....	34,554	9.3	Tennessee.....	44	1.1
Kentucky.....	16,593	2.4	Texas.....	147,744	18.0
Louisiana.....	14,525	41.1	Utah.....	82	65.2
Michigan.....	4,032	7.0	Virginia.....	25	4.0
Mississippi.....	1,866	47.9	West Virginia..	13,000	.5
Missouri.....	89	6	Wyoming.....	5,689	46.7
Montana.....	3,751	10.1			
Nebraska.....	547	41.2	Total, United States	514,808	12.1
Nevada.....	1	250.0			

Source: World Oil.

Mr. BROWN. The overall average is about 12 barrels.

Senator KERR. The overall production in Texas is about 2,800,000. How much is it today?

Senator DANIEL. About that. I have seen various figures as to the average daily production per well, but I think it is somewhere around 15 barrels per well, average.

Senator KERR. Yet they could produce a lot more, and they, like the wells in Oklahoma, are being held to that very limited production, to permit a few hundred wells in the Middle East to produce in excess of 5,000 barrels per day, and have just as free access to the American market. They could produce at least 700,000 more barrels crude per day than they are producing at this time and still be within the maximum efficiency rate of production.

I believe there are over 2 million barrels of production today in the United States shut in which could be produced within that maximum efficiency rate.

I have here a telegram from the citizens of one county in Oklahoma that I would like to read into the record, Governor. I notice that a brother of yours happens to be one of the citizens of that area, and he signed this telegram, asking that it be called to your attention.

Governor GARY. Thank you.

Senator KERR. I know you would be glad to have me call it to the attention of the committee.

Governor GARY. I appreciate that.

Senator KERR (reading):

ATOKA, OKLA.

Senator ROBERT S. KERR,

Capitol Building, Washington, D. C.:

Resolved, That the citizens of Atoka County, Okla., take exception to the statements made by Mr. Swensrud, chairman, Gulf Oil Corp. before your committee, to the effect that their increasingly heavy imports of oil the past year have not affected the domestic economy.

In May 1954 the Gulf brought in a flowing well, the first in this county, at a depth of 3,000 feet. They applied for and received 20-acre spacing on over 7,000 acres on June 14, 1954, claiming they had a large reservoir of oil.

They then staked 32 locations, drilled a second well, which was capped and pulled out early last summer. Have reports by two well-known petroleum engineers indicating this is a major pool, capable of production in many zones.

Gulf resisted all efforts to get accurate information until last few days. This county has more than one-fourth of its inhabitants on relief of some kind. If this field was diligently developed, many of our citizens would be able to care for themselves. They have shut down this potential major oil pool while they are increasing their imports. It seems stupid to permit this monster importer of oil to drown us with imports, shut down on our refineries and wells here, and put our folks on relief, while they enjoy unconditional profits due to their ruthless import policy.

We think they should pay income taxes on all income derived from foreign oil plus an import tax of at least \$1 per barrel. Please call attention of your committee to this telegram, and give it the same publicity accorded Swensrud's testimony.

This is signed by about 25 citizens of Atoka County, Okla.

(The following letter was subsequently received for the record:)

GULF OIL CORPORATION,
Pittsburgh, Pa., March 17, 1955.

Senator HARRY F. BYRD,

Chairman, Finance Committee,

United States Senate, Washington, D. C.

DEAR SENATOR BYRD: We have been advised that on March 15 Senator Robert S. Kerr read into the hearings of the Senate Finance Committee on H. R. 1 a telegram he had received from certain citizens of Atoka County, Okla.¹ This telegram, in effect, accuses Gulf Oil Corp. of deliberately shutting down on what it is claimed would be a major oil pool if only we would go ahead with the development.

The statements and conclusions in the telegram are highly misleading, and for the sake of the record we would like to make clear what the facts really are.

About a year and a half ago we acquired an interest in some 8,000 acres in Atoka County, Okla., upon payment of \$136,000 and agreeing to certain drilling obligations. The first well we drilled, which cost \$233,000, was capable of producing a small quantity of oil but has declined rapidly to a present level of only about 12 barrels daily. We can never hope to get our money out of this well. The second well was never able to produce any oil, although some minor gas production may be possible. One of the signers of the telegram, who has mineral and lease interests in some of the land involved, has been trying to get us to do more drilling which we do not feel is justifiable in view of the discouraging results thus far relative to our total expenditure to date of some \$472,000. We have

¹ A copy of the telegram according to the transcript of the hearings is attached hereto.

offered to turn over our entire interest in a proposed drilling site to whoever would be willing to drill a well, but so far have not been able to work out anything. The telegram states that two well-known petroleum engineers have "indicated this to be a major pool." We have seen one outside report, but it does not reach any such optimistic conclusion. If the engineers in question, the signers of the telegram, or anyone else, believe this to be a major oil pool, we will gladly turn over our entire interest therein, including the two wells already drilled, for the money we have expended to date. We are just as sorry as the people in Atoka County that we have not found a good pool there, but the implication that we are holding back on the development of a known major oil field in Atoka County is entirely erroneous. Our company is very active in exploring for oil in many parts of the United States, including Oklahoma, and our objective is to increase our domestic production as fast as we can find opportunities to do so.

We are sending each member of your committee a copy of this letter so that it may come to his particular attention, and we would, of course, appreciate having the letter put into the record of the hearings in connection with the telegram which was read into the record by Senator Kerr.

Sincerely yours,

S. A. SWENSRUD.

ATOKA, OKLA., March 14, 1955.

Senator ROBERT S. KERR,
Capitol Building,
Washington, D. C.

Resolved, That the citizens of Atoka County, Okla., take exception to the statements made by Mr. Swensrud, chairman, Gulf Oil Corp., before your committee, to the effect that their increasingly heavy imports of oil the past year have not affected the domestic economy. In May 1954 the Gulf brought in a flowing well, the first in this county, as a depth of 3,000 feet. They applied for and received 20-acre spacing on over 7,000 acres on June 14, 1954, claiming they had a large reservoir of oil. They then staked 32 locations, drilled a second well, which was capped, and pulled out early last summer. Have reports by two well-known petroleum engineers indicating this is a major pool, capable of production in many zones. Gulf resisted all efforts to get accurate information until last few days. This county has more than one-fourth of its inhabitants on relief of some kind. If this field was diligently developed, many of our citizens would be able to care for themselves. They have shut down this potential major oil pool while they are increasing their imports. It seems stupid to permit this monster importer of oil to drown us with imports, shut down our refineries and wells here, and put our folks on relief, while they enjoy unconditional profits due to their ruthless import policy. We think they should pay income taxes on all income derived from foreign oil plus an import tax of at least \$1 per barrel. Please call attention of your committee to this telegram, and give it the same publicity accorded Swensrud's testimony.

F. K. Carney, Joe Voto, R. M. Christie, Robert Cates, Jr., Burley Ralls, Zeno Smith, B. Goldfield, Robert McCary, M. R. Cates, C. E. McNiel, F. H. Mason, W. R. Sample, O. Rosinsky, J. F. Henson, Gaston Jones, E. G. Wood, Robert McCary, Jr., J. W. Boone, George Morrison, Robert Cannon, James B. Skinner, C. C. Stephens, C. W. Casteel, H. R. Carter, Jack Latimer, J. A. Dowlen, C. H. Easley, A. G. Blauner, J. C. Cooper, Joe F. Gary, Robert B. Epperson, W. L. Evans, Claud Collier, Otis McCary, H. W. Mitchell, Andrew Phillips.

Joe F. Gary, brother of Governor Gary, has signed this and asked that a copy be given him if he is still in Washington.

Governor GARY. Thank you, Senator.

Senator KERR. Are there any further questions?

Senator Martin?

Senator MARTIN. You have spoken, Governor, about the unemployment, the direct unemployment, because of the curtailments in production. Have you given any consideration to the curtailment of employment in other fuels like coal, and in transportation?

Governor GARY. We have.

Senator MARTIN. For example, we are transporting oil now from Houston, Tex., to Pittsburgh, Pa., by water. Of course, by the importation of oil, that is cutting that down to a large extent, and of course that puts out of employment men who work on river transportation. Have you given thought to that?

Governor GARY. Yes, we have. Now, the 156 percent decrease in November 1954 over November 1953 was the—that is the decrease of people employed directly in the production of oil.

Senator KERR. That is the increase of unemployment?

Governor GARY. Increase in unemployment. That did not count the increase in unemployment that has been brought about in other businesses that are directly related to the oil production, like the transportation system, trucking industry, and other related industries.

Of course, we have the same problem in our coal industry in Oklahoma. Our coal industry is very sick in Oklahoma.

Senator MARTIN. The coal industry, Governor, I think you will find from your investigation, is very sick all over the United States. Our expert engineers and technicians and economists all state that coal is the basic thing in the supplying of energy—I think.

Governor GARY. We have an abundant supply of reserve in Oklahoma.

Senator SMATHERS. Mr. Chairman.

The CHAIRMAN. Senator Smathers.

Senator SMATHERS. I would like to ask just a couple of questions, Governor. Down in my State—I am sort of like Senator George, we don't have too many oil wells, we hope someday to have a few, but there is something that concerns us, of course, and that is what finally is going to be the price of our fuel that we use on our highways and things of that nature down there if we put this limitation that is recommended by you people on importation of oil.

Now let me ask you just a couple of questions about this crude-oil business.

Do you recall how much it has grown as an overall business in the last 5 years, domestically speaking?

Governor GARY. I don't know how much it has grown, but I know that in Oklahoma our marketable production has decreased.

Senator SMATHERS. In the last 5 years?

Governor GARY. That is correct. 1954 was less than 1953, and 1953 was less than 1952.

Senator KERR. And 1952 was less than 1951.

Senator SMATHERS. In Oklahoma?

Senator KERR. In the Nation.

Governor GARY. That is right.

Senator KERR. While at the same time the imports were steadily increasing.

Governor GARY. That is correct.

Senator SMATHERS. Well, where do I get such figures—and they must have been supplied to me—I don't know that they are right at all, although they come from one of the Government agencies—daily production is now about 6½ million barrels, whereas in 1938 it was 3½ million barrels.

Senator KERR. We are talking about the last 4 or 5 years.

Senator SMATHERS. All right, let's go back to 1938. Since 1938 what has been the picture in Oklahoma as far as crude-oil production is concerned?

Governor GARY. Well, during the war years, of course, we increased our production of crude-oil in order to take care of the national demand. Since the war, immediately after the war we were able to hold up our production to a good level. But for the past 2 years it has been coming down.

We hit a very low figure—down below 475,000 barrels per day, I believe—in the month of December 1954.

Senator SMATHERS. Do you attribute that loss of production in Oklahoma directly to the fact that imports from Venezuela and the Far Eastern countries have been coming into the United States?

Governor GARY. Not altogether. I contribute a great deal of it, though, to foreign imports, because every time you import a million barrels of oil that is going, of course, to keep us from selling some oil from Oklahoma, and all the other States. But some of the oil being produced in other States, in the Rocky Mountain area, for instance—west of the Rocky Mountain area—has taken some of our market in Oklahoma. I wouldn't say that all of it is because of imports, but they certainly have had a very strong effect.

Senator SMATHERS. Is it your feeling that if this restriction of 10 percent is put on the importations, that it would not only help Texas, for example, or one of the war western oil-producing States, it would also help Oklahoma?

Governor GARY. It will help all of us.

Senator SMATHERS. Do you believe that they can produce oil expensively, if the fields are more rich in oil, these States west of Oklahoma, than you can in Oklahoma?

Governor GARY. No, I do not.

Senator SMATHERS. And if this restriction is put on it might not solve our problem, but it might help other States?

Governor GARY. You see, we have been operating in Oklahoma under very strict conservation laws. Some of the other States are new in the production of oil and are not operating under strict conservation laws like we have in Oklahoma.

We hope that they will. We hope it will be possible for them to continue to do that.

If you restrict the imports on foreign oil 10 percent of our domestic production, we will all profit by it in the oil-producing States and the Nation will profit by it.

Senator SMATHERS. You believe that the price of fuel oil—I will repeat what Senator George asked—if there is a restriction on importation put on, that the price of oil to the average motorist up and down the east coast would not go any higher?

Governor GARY. I don't believe it would go a penny higher. I think the producer of this fine oil would just make less profit on marketing or buying our own produced oil in this Nation. I don't believe it would make any difference in price.

Senator SMATHERS. Do you think there is any value in maintaining for a national emergency any large oil reserves in these United States?

Governor GARY. I certainly do. I think that we would be safe if we stayed within 10 percent on imports. I think we still would be

safe. Our reserves in Oklahoma are increasing every year—oil reserves.

Just recently a new field was discovered in Oklahoma that looks like it might turn out to be one of the best discoveries in the State's history.

Senator SMATHERS. Are you actually producing less barrels per day in Oklahoma than you did 5 years ago?

Governor GARY. I couldn't say 5 years ago. I believe we are. Today we are producing less than we did 5 years ago.

Senator KERR. I'm not quite sure but what we are producing less than what we did in 1939. We certainly did produce less in 1954 than in 1953 and less in 1953 than in 1952.

Governor GARY. In 1954 we produced 500,000 barrels a day.

Senator SMATHERS. Could you say that this unemployment might be resulting from the fact that you had to get new methods of getting the oil? You are doing it more efficiently and with greater use of machinery, which results—

Governor GARY. Less drilling. There is less drilling because the oil companies find it very difficult to do. The little independents find it especially difficult to finance the operation of the drilling of new wells when they can't sell but 7.6 barrels per day per well.

Senator SMATHERS. How about the big companies? How are they doing in Oklahoma? Are they producing less or are they producing more?

Governor GARY. I would say that are all on a general basis producing less. The major companies operating in Oklahoma, they can afford to drill a big well and take a loss on the operation in Oklahoma if they can import foreign oil and make a larger profit on the foreign oil. They are under restrictions.

The little independent people are gradually being driven into bankruptcy under the present method of operation.

Senator SMATHERS. We cannot but feel that is not only true in the oil business and the grocery business and every business you can imagine today, and I don't know that it is all because of imports. A lot of it has to do with our tax program and other things. I am trying to get at this question as to whether or not the big companies are producing less oil today in Oklahoma than they did, we will say, 3, 4, or 5 years ago. Has it been a steady decrease?

Senator KERR. When the overall State production is reduced, Senator, it affect the big companies the same as the little companies.

They don't play favorites in proration in Oklahoma. You people along the east coast think about these importers, and you should remember this, that they are not reducing the price of your product by bringing in those imports. They are using that oil that costs them 20 cents a barrel and charging you the same price for your gasoline and fuel oil as they would be charging you if they were getting their supplies from their own or the production of independents along the Gulf of Mexico or inward in midcontinent and paying \$2.65 a barrel for it. All they do is let you people pay them the same amount for the product that they make out of that 20-cent oil as they charge you for the product that will be made out of this domestic oil if their quantity of imports was limited.

Senator SMATHERS. Of course, our concern is that if we limit the imports, then the price may go up, rather than even stay at the present figure.

Anyway, I gather that it is your testimony that even the big oil companies have shown a steady decline in production in Oklahoma in the last 5 years, an increasing unemployment resulting not from new methods, new means of getting the oil out of the ground, but rather from a decrease in production?

Governor GARY. That is right, decrease in drilling activity.

Senator KERR. What time do you have, Governor?

Governor GARY. I have 11:20.

Senator KERR. How much more time do you have?

Governor GARY. I am due at the airport at 12:30.

Senator KERR. Senator Malone wants to ask you a few questions.

Senator DANIEL. May I interpose one comment in relation to Senator Smather's question? When these imports have increased, as you pointed out, the price of the product on the east coast has not decreased.

Senator KERR. They shut down more domestic production.

Senator DANIELS. So Senator Smathers and Senator George will understand it fully, there is about 2 million barrels per day of producing capacity in the United States shut in now. If you lower your imports, your domestic production will come in and fill the gap, if there is any gap. Production is in line with market demand. There would be no possibility of that causing any increase in price of the product to the consumer. We have more oil now than the market can take.

Senator KERR. Thank you, Senator, because that is eminently correct.

Governor GARY. Producers in Oklahoma could produce enough additional oil to replace all the oil imported right now and still operate under our own conservation laws.

Senator DANIEL. Without increasing the price?

Governor GARY. Yes.

Senator KERR. Remember that Kansas has a member on this committee too and they have a lot of shut-in capacity.

Governor GARY. Yes. We could produce 500,000 more barrels a day. Texas can produce 700,000 more.

Senator KERR. The flood of imports more than anything else is preventing the more aggressive development of oil production in your State?

Governor GARY. That is right.

Senator KERR. Senator Malone?

Senator MALONE. Governor, I think you have made a good witness. I think you are very fair. I am glad to see you here. I know you are seriously hurt.

Governor, you were very fair in bringing in some other industries that were very seriously hurt. That was the zinc industry and the glass industry. I don't know whether you are aware of it, but there are probably several other industries hurt along that line.

Governor GARY. I am sure that is correct.

Senator MALONE. Would you recommend quotas for all products that are threatened by imports?

Governor GARY. I can't see why we shouldn't. The reason I recommend it, brought in the lead and zinc industry and the glass industry

along with the oil industry is because that happens to be the three industries in Oklahoma that affect our economy. I am very strongly in support of reciprocal trade agreements so long as we do not go so far that they cripple our own economy and destroy our own industries within our own Nation.

Senator MALONE. I am going to get into that a little bit further, Governor, because I am sure that very few people understand what happens if you do not have the 1934 Trade Agreements Act, but I want to refer you now to testimony by Mr. Dulles yesterday.

Mr. Dulles, in answer to a question that pointed to whether or not these industries could be hurt under the act—you see, there has been tremendous advertising by most of the newspaper commentators—you are probably aware that reciprocal trade—

Could we have order, Mr. Chairman?

Senator KERR. We ask for order in the room, please.

Senator MALONE. In answer to a question as to whether or not industry would be injured in this country in carrying out the 1934 Trade Agreements Act, the Secretary said:

I don't believe we can operate the law without some injury to some American industries.

You know, we have a peril point and escape clause and lots of things, but he was asked about that. Further he was asked:

Do you agree there is authority in the act to trade away an American payroll to serve an international purpose if it causes injury to that American payroll?

I think Secretary Dulles made a fine witness. He was an honest witness, about the first one we have had who went right across the board and told you the truth about it, and all the truth he knew about it.

He said:

Conceivably, yes. We do a lot of things, sir, that do great injury to the American people to serve an international purpose.

Then he said:

It is my understanding that the so-called escape clause is not designed to protect from injury every particular element in American industry. I believe there has been some question about amending it so that it may read that way.

He goes on to say:

I think that it is interpreted, sir—I am not a great expert on these matters—to me injury to an industry as a whole and not necessarily injury to every particular concern in that business.

Then he said further:

I do recognize that competition, whether it is domestic or foreign, does injury, and it injures first the weaker and less economical units in the industry.

It seems to me that that is the first interpretation that we have ever had of the 1934 Trade Agreements Act that is called reciprocal trade to sell free trade to the American people—those words “reciprocal trade” don't occur in the act, either in the title or in the act, you understand that, do you not?

Governor GARY. I didn't quite catch your last statement.

Senator MALONE. The reciprocal trade phrase does not occur in the title or the body of the act or the amendments to the act over the past 21 years, you understand that?

Governor GARY. No; you are giving me some information that I didn't know.

Senator MALONE. I will get into that just a little bit later. The question then as put so clearly in the question to Mr. Dulles and his answer is so clear, the question then has been over the 21 years—this is the ninth year I have been here, and trying to make this point—whether the law contemplated injury to an American industry for an international purpose, and Mr. Dulles said, it does, that it includes that injury, the way it is now written.

Governor, do you understand that the 1934 Trade Agreements Act was passed for 3 years as an emergency act, then until 1951, extended every 3 years for 3 more years, and then, in 1951, we cut it to 2 years.

In 1953 we cut it to 1 year. Last year we held it to 1 year. This year it is proposed that it be extended 3 years and the tariff cut an additional 15 percent, 5 percent per year; you understand that is what is proposed?

Governor GARY. I read that proposal.

Senator MALONE. Have you ever studied any of these—I call them trick organizations all around the world, like General Agreement on Tariffs and Trade at Geneva? Did you ever hear of that organization?

Governor GARY. I heard of it, but I know very little about it.

Senator MALONE. I think 99 $\frac{9}{10}$ percent of the American people never heard about it, and those who have heard about it do not know what it means. This is what it means, Governor.

As long as this act is in effect, it doesn't matter how you amend it, the decision remains in the executive branch, which virtually means the State Department and as long as the act is in effect then the General Agreement on Tariffs and Trade at Geneva is operative. As the Secretary of State testified yesterday, it operates on the basis of this act.

If the act is not extended, GATT, the Geneva Agreement on Tariffs and Trade, dies of its own weight. There are 30 to 34 nations—and have been since 1947—making multilateral treaties lowering tariffs. Of course, we also have the most-favored-nation clause, so if a trade agreement is made with one nation, like in the oral agreement made with Venezuela, it is applicable to all nations on earth under the most-favored-nation clause. You understand that, do you not?

Governor GARY. Go ahead, I understand it.

Senator KERR. Governor, as much as I regret it, I am compelled to tell you that your secretary advised me, if you are to make your schedule, you must leave now.

Senator MALONE. I think you have a good governor in Oklahoma. I am for him. I think he is making a good witness.

Senator KERR. I think he is making a good audience right now, Senator.

Senator MALONE. The inference is appreciated, but my sense of humor dies pretty quickly when you are talking about unemployment of the workingmen and the demise of domestic industry and investors. It doesn't carry over that far.

Now, Governor, there was created the other day, through a United Nations Assembly resolution, a world trade organization to do the same thing, to distribute the markets of the United States. You understand

in Oklahoma and Nevada they are a good deal alike. I lived in Oklahoma in 1937. They know what a sucker poker game is down there; don't they?

Governor GARY. I will say they do.

Senator MALONE. If a man with some money comes down and he gets into the game, it is a game. If he doesn't, there is no game. That is the way this is. If the American markets are not in this thing, then there is no game.

If we extend this thing, then the United States markets are still in it.

I am sorry that you do have to leave right away, because I think you would be good for this outfit if you stayed awhile.

Governor GARY. I would like to stay longer.

Senator MALONE. You understand, then, that if you let this thing die, we go back to the 1930 Tariff Act on the basis of fair and reasonable competition; in other words, the Tariff Commission as an agent of Congress determines what the tariff ought to be on the basis of fair and reasonable competition—isn't that about what you want, to have the tariff represent that difference in cost of production in the United States and abroad?

Governor GARY. That is about it. Coming back to our problem in Oklahoma, talking about reciprocal trade agreements, I have observed during the past 18 months to 2 years that the imports of foreign oil have been gradually increasing. I understand it is about 13 to 14 percent of our domestic consumption as of now.

Senator MALONE. That is right.

Governor GARY. While in Oklahoma and other oil-producing States we have had to decrease our production of oil.

Senator MALONE. I understand that.

Governor GARY. So I am in favor of this reciprocal agreement for doing business with the other countries, trying to develop our international relationships on a friendly basis, but there is a limit to the amount, there is a limit to what we should do. We shouldn't continue to the detriment of our own economy.

Senator MALONE. That is correct. If the basis of the act and the basis of the 1930 Tariff Act to which we would revert—of course, the President would have to cancel the agreements in effect by Executive order—then the Tariff Commission would fix the tariff on the basis of fair and reasonable competition and anything that comes in would come in on that basis.

This year I introduced a bill, S. 400. I ask that it be placed in the record.

(S. 400 is as follows:)

[S. 400, 84th Cong., 1st sess.]

A BILL To encourage and assist the production of strategic and critical metals, minerals, and materials in the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That as used in this act the term "strategic and critical metals, minerals, and materials" means any metal or mineral ore or concentrate not fabricated into finished form, and any other material, which is determined to be strategic or critical under section 2 (a) of the Strategic and Critical Materials Stockpiling Act.

Sec. 2. It is declared to be the policy of the Congress to develop and promote the production of strategic and critical metals, minerals, and materials within the United States so that such metals, minerals, and materials will be available to the Nation in time of war and to relieve the United States from

dependency upon foreign areas for such strategic and critical metals, minerals, and materials, the transportation of which in time of war would be difficult or impossible. It is necessary and essential that a proper economic climate be created or exist to encourage the development and production of our strategic and critical metals, minerals, and materials. Such economic climate would enable the United States to maintain a going concern critical minerals and materials industry within the United States in time of peace which can supply the Nation with such strategic and critical metals, minerals, and materials in time of war. To create such favorable economic climate and to accomplish the other objectives of this Act it will be necessary to reestablish the principle of fair and reasonable competition between foreign producers and domestic producers in the regulation of import duties on strategic and critical metals, minerals, and materials.

SEC. 3. (a) There is hereby created a Strategic and Critical Minerals and Materials Authority, to be composed of the Secretary of the Interior, the Secretary of Defense, the Secretary of Commerce, the Secretary of the Treasury, and the Chairman of the United States Tariff Commission (hereinafter referred to as the Authority), which shall have the powers conferred by this Act with respect to any strategic and critical metal, mineral, and material whenever the Authority certifies that such strategic and critical metal, mineral, or material requires relief as authorized herein.

(b) The Authority may, subject to the civil-service laws, appoint such employees as it deems necessary to carry out its functions under this Act and shall fix their compensation in accordance with the Classification Act of 1949, as amended.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

SEC. 4. All powers vested in, delegated to, or otherwise properly exercisable by the President or any other officer or agency of the United States in respect to the foreign trade agreements entered into pursuant to section 350 of the Tariff Act of 1930, as amended, insofar as they relate to strategic and critical metals, minerals, and materials, are hereby transferred to, and shall be exercisable by the Authority, including but not limited to, the right to invoke the various escape clauses, reservations, and options therein contained, and to exercise on behalf of the United States any rights or privileges therein provided for the protection of the interests of the United States.

SEC. 5. (a) The Authority is authorized and directed from time to time, and subject to the limitations herein provided, to prescribe and establish import duties upon strategic and critical metals, minerals, or other materials, which will 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 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 imbalance 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; and

(7) the degree to which normal cost relationships may be affected by grants, subsidies (effected through multiple rates of export exchange, or otherwise), 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 ninety days after such order is announced: *Provided*, That any such order is first submitted to Congress by the Authority and is not disapproved, in whole or in part, by concurrent resolution of Congress within sixty 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.

Senator MALONE. I ask you to read it when you get this setup.

That is on critical and strategic materials, and oil is one of them. It would allow the Tariff Commission, reorganized, to consider the landed customs cost in fixing such a tariff. It would also allow them to impose quantitative limits on the importation of any foreign

article in such amounts and for such periods as it found necessary in order to effectuate the purposes of the act.

That would mean not to impair any material classes as a strategic and critical material. Wouldn't that answer your problem?

Governor GARY. That sounds like it would help.

Senator MALONE. Thank you very much.

Governor GARY. I am sorry, I will have to leave, if I am to catch my plane.

Senator CARLSON. I want to state for the record that I appreciate very much the Governor of Oklahoma coming in. He is one of our neighbors and he has problems similar to those we have in Kansas, and I would like to have gotten into it.

I appreciate it very much. Our people appreciate it very much in Kansas.

Senator BARKLEY. It is too bad that the Governor of Oklahoma, who has testified on important matters, cannot stay long enough to answer some questions I have for him. I have great respect for the Governor, but I regret under our arrangement we cannot get a chance to ask him questions about oil.

I have a lot of questions that are purely informative, not controversial.

Senator KERR. If the Senator will submit those questions to me in writing, I will submit them to the Governor and he will answer every one of them.

Senator BARKLEY. I would rather have them answered face to face. I will accept that invitation, however. I would like to know what proportion of those closed-down wells have been brought about by the importation of oil, what has been brought about by the desire of the State to conserve their oil supplies, like in Oklahoma which has adopted, I think, a very intelligent and forward-looking policy of conservation.

I would like to know what proportion of unemployment we speak of—and I have great interest in that question, because I am from an oil and coal State, and for a long time I have advocated an overall fuel policy by the Government of the United States to deal with oil, coal, gas, and all other fuels, and I think we will have to come to it finally.

I would like to know from somebody how long we may rely on our country to furnish oil that we need and if we exhaust our own oil supplies and have to rely on Arabian and Venezuelan oil, what condition will we be in in either war or peace? The Governor cannot answer these questions—

Governor GARY. I believe I can take another minute or two and maybe help Senator Barkley in his statement there.

You referred to the number of wells that have been closed down in Oklahoma.

Actually, there have been very few wells closed down. The 115 rigs I referred to in my testimony that have been stacked were drilling rigs that were taken out of operation because of the curtailment of the marketable oil in Oklahoma. It cut down the need for drilling new wells.

Senator BARKLEY. When did that need develop? When did you inaugurate this conservation policy?

Governor GARY. We have had the conservation policy——

Senator KERR. Since 1950.

Governor GARY. I believe we were the first State in the Union to adopt a conservation policy.

Senator BARKLEY. Were some of these rigs capped?

Governor GARY. The rigs that were stacked were the rigs that we drill new wells with. There was a need for less number of wells, so they were stacked.

Senator BARKLEY. Twenty years ago I had an unfortunate experience. I tried to get rich, but I didn't get anything but dry holes. We didn't have to cap them.

Governor GARY. So far as oil reserves in Oklahoma are concerned, Oklahoma oil reserves have increased 100——

Governor KERR. 140 to 150 million.

Governor GARY. 150 million?

Senator KERR. 140 to 150 million barrels of crude oil and 150 million barrels of other liquids which come from that.

Senator BARKLEY. As far as we can see, there are reserves in Oklahoma.

Senator KERR. That increase in 1 year.

Let me answer the Senator's question in that regard.

In the country we have I would say 40 billion barrels of known reserve of unproduced oil in presently discovered fields, but to show you the vast amount of reserve we have, Senator, in one area in the Rocky Mountains, 100 billion barrels of known reserves of crude oil, known as shale oil, exposed to the surface.

Senator BARKLEY. That is somewhat speculative, isn't it, Senator?

Senator KERR. No. Those are figures of the Federal Government, and by their pilot plants they have demonstrated that that oil can be produced and put into our market at about the same price now being paid for domestic crude oil.

In addition to that, as the Senator so well knows, we have hundreds of millions of tons of coal out of which practically everything that can be made from oil can be produced, if, as, and when we were up against the proposition where we needed it.

Senator MARTIN. Senator Kerr, I think that you can probably state it better than any of us, but it probably ought to be in the record, that we can produce oil, gas, gasoline, commercial alcohol, from coal at the present time, but we cannot do it at a price that competes with the oil in the ground.

But, in case of necessity, we have that great reserve to fall back on, and in case of war, this great eastern reserve of oil we couldn't use probably to any advantage in our defense because it would be outside of our own lines.

But we have the reserves of oil here in America.

In addition to that, we have the reserves from shale oil and also from oil that you can produce from coal.

Senator KERR. Correct. It is a well-known fact which I have not heard disputed by any responsible authority, first, if we got into a war with Russia, they could take over the reserves in the Middle East in a matter of 24 to 48 hours, which we have developed over there, which would make them inaccessible to us, and actually the Germans

demonstrated in the last year that they could practically prevent the importation of oil by tanker from South America or any other area off this continent, so that in looking at this problem from the standpoint of our economy and our necessities in case of war, we are compelled to come to the conclusion that in the final analysis we will have to depend on the oil produced in this continent.

It is the position of those of us who favor the restriction on foreign imports that in doing that we are encouraging the development of the supply in this continent adequate to meet our requirements in case of peace or war, and the development has been such that, as Senator Daniel has said, we have shut in in this country enough oil to produce one and one-half times per day as the total amount now being imported.

So the importation of it is merely displacing domestic oil in time of peace when it couldn't be available to us if we got into a war.

Senator BARKLEY. As a matter of fact, the more rapidly you produce oil in this country—I am not unfriendly to the situation which has been described here—whatever the reserves are, the more rapidly you exhaust our oil supply and the more rapidly and the sooner you have to depend on foreign oil.

Senator KERR. That is not necessarily true at all. There is no doubt in my mind—

Senator BARKLEY. There is no way to increase the supply of oil in the ground and it is measured by gallons and barrels and you cannot increase it, but you can exhaust it.

Senator KERR. No. But our experience thus far is that we are finding new reserves faster than we are currently consuming our reserves. That is No. 1.

No. 2, we have enough known reserves of oil to last us for at least 50 years that we can now see. We have enough reserves of coal to supply our fuel needs for a thousand years, and we have enough uranium in this country to produce our fuel requirements for an infinite period of time.

The thinking in the oil industry is not that we will be unable to supply the demand for our country as long as it needs it, but our hope is that we will be able to use up an appreciable amount of reserves before other fuels, such as uranium, displace a great amount of our market that now is being supplied by oil.

Senator BARKLEY. I have to go to the floor.

Senator KERR. Senator Daniel, did you want to return to the stand?

Senator MALONE. Mr. Chairman.

Senator KERR. Yes, Senator?

Senator MALONE. I think you are exactly right on the reserves of petroleum fuels in this country. We couldn't run out except by design.

I ask unanimous permission to include in the record following my cross-examination of the Governor my amendment to the 1930 Tariff Act.

Senator KERR. Without objection it is so ordered.

(S. 404 follows:)

[S. 404, 84th Cong., 1st sess.]

A BILL To amend the Tariff Act of 1930, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF POLICY

SECTION 1. It is declared to be the policy of the Congress—

(a) to facilitate and encourage the importation into the United States of foreign goods and products in quantities sufficient to supply the needs of the United States economy;

(b) to foster and provide for the export of the products of American industry and agriculture in quantities sufficient to pay for the needed imports.

(c) to develop and promote a well-balanced, integrated, and diversified production within the United States so as to maintain a sound and prosperous national economy and a high level of wages and employment in industry and agriculture;

(d) to provide necessary flexibility of import duties thereby making possible appropriate adjustments in response to changing economic conditions;

(e) to assure the accomplishment of these objectives by returning to and maintaining hereafter in the United States the control over American import duties now subject to international agreements.

RESTATEMENT OF EXISTING IMPORTS DUTIES

SEC. 2. Title I, paragraphs 1 to 1559, inclusive, of the Tariff Act of 1930 are hereby amended by repealing the classifications and rates therein contained and substituting therefor the classifications and rates obtaining and in effect on June 12, 1955, by reason of proclamations of the President under section 350 of the Tariff Act of 1930 or otherwise.

FORMATION OF FOREIGN TRADE AUTHORITY

SEC. 3. Title III, part II, section 330, of the Tariff Act of 1930 is hereby amended to read as follows:

"SEC. 330. ORGANIZATION OF THE FOREIGN TRADE AUTHORITY.

"(a) MEMBERSHIP.—The United States Tariff Commission shall be reorganized and reconstituted as the Foreign Trade Authority (hereinafter referred to as the 'Authority') to be composed of six directors to be hereafter appointed by the President by and with the advice and consent of the Senate. The original directors of the Authority shall be the same persons now serving as Commissioners of the United States Tariff Commission, each such person to serve as a director of the Authority until the date when his term of office as a Commissioner of the United States Tariff Commission would have expired. Thereafter the term of office of any successor to any such director shall expire six years from the date of the expiration of the term for which his predecessor was appointed except that a director appointed to fill a vacancy occurring for any reason other than the expiration of a term as herein provided shall be appointed only for the remainder of the term which his predecessor would otherwise have served. Directors shall be eligible for appointment to succeed themselves if otherwise qualified therefor. No person shall be eligible for appointment as a director unless he is a citizen of the United States, and, in the judgment of the President, is possessed of qualifications requisite for developing expert knowledge of tariff problems and efficiency in administering the provisions of this Act. Not more than three of the directors shall be members of the same political party, and in making appointments members of different political parties shall be appointed alternately as nearly as may be practicable.

"(b) CHAIRMAN, VICE CHAIRMAN, AND SALARY.—The President shall annually designate one of the directors as Chairman and one as Vice Chairman of the Authority. The Vice Chairman shall act as Chairman in case of absence or disability of the Chairman. A majority of the directors in office shall constitute a quorum, but the Authority may function notwithstanding vacancies. Each director shall receive a salary of \$15,000 a year. No director shall actively engage in any business, vocation, or employment other than that of serving as a director."

APPOINTMENT OF SECRETARY

SEC. 4. Title III, part II, section 331 (a), of the Tariff Act of 1930 is hereby amended to read as follows:

"(a) PERSONNEL.—The Authority shall appoint a secretary who shall receive compensation in accordance with the Classification Act of 1949, and the Authority is hereby empowered to employ and, in accordance with the Classification Act of 1949, fix the compensation of such special experts, examiners, clerks, and other employees of the Authority as it may find necessary for the proper performance of its duties."

ADMINISTRATION OF TRADE AGREEMENTS

SEC. 5. Title III, part II, of the Tariff Act of 1930 is amended by adding at the end of section 331 the following new section:

"SEC. 331A. ADMINISTRATION OF TRADE AGREEMENTS.

"(a) All powers vested in, delegated to, or otherwise properly exercisable by the President or any other officer or agency of the United States in respect to the foreign trade agreements entered into pursuant to section 350 of the Tariff Act of 1930 are hereby transferred to, and shall be exercisable by the Authority, including, but not limited to, the right to invoke the various escape clauses, reservations, and options therein contained, and to exercise on behalf of the United States any rights or privileges therein provided for the protection of the interests of the United States.

"(b) The Authority is hereby authorized and directed—

"(1) to terminate as of the next earliest date therein provided, and in accordance with the terms thereof, all the foreign trade agreements entered into by the United States pursuant to section 350 of the Tariff Act of 1930;

"(2) to prescribe, upon termination of any foreign trade agreement, that the import duties established therein shall remain the same as existed prior to such termination, and such import duties shall not thereafter be increased or reduced except in accordance with the Tariff Act of 1930, as amended by this Act."

PERIODIC ADJUSTMENT OF IMPORT DUTIES

SEC. 6. Title III, part II, section 336, of the Tariff Act of 1930 is hereby amended to read as follows:

"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 (effected through multiple rates of export exchange, or otherwise), 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 ninety days after such order is announced: *Provided*, That any such order is first submitted to Congress by the Authority and is not disapproved, in whole or in part, by concurrent resolution of Congress within sixty 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."

AMENDMENT OF SECTION 337

SEC. 7. Title III, part II, section 337, of the Tariff Act of 1930 is hereby amended as follows:

(a) Subdivision (a) thereof by striking out the word "President" and substituting therefor the word "Authority".

(b) Subdivision (b) thereof is hereby repealed.

(c) Subdivision (d) thereof is hereby repealed.

(d) Subdivision (e) thereof is hereby amended to read as follows:

"(e) EXCLUSION OF ARTICLES FROM ENTRY.—Whenever the existence of any such unfair method or act shall be established to the satisfaction of the Authority, it shall direct that the articles concerned in such unfair methods or acts, imported by any person violating the provisions of this Act, shall be excluded from entry into the United States, and upon information of such action by the Authority, the Secretary of the Treasury shall, through the proper officers, refuse such entry."

(e) Subdivision (f) thereof is hereby amended to read as follows:

"(f) ENTRY UNDER BOND.—Whenever the Authority has reason to believe that any article is offered or sought to be offered for entry into the United States in violation of this section, but has not information sufficient to satisfy it thereof, the Secretary of the Treasury shall, upon its request in writing, forbid entry thereof until such investigation as the Authority may deem necessary shall be completed; except that such articles shall be entitled to entry under bond prescribed by the Secretary of the Treasury."

(f) Subdivision (g) thereof is hereby amended to read as follows:

"(g) CONTINUANCE OF EXCLUSION.—Any refusal of entry under this section shall continue in effect until the Authority shall find and advise the Secretary of the Treasury that the conditions which led to such refusal of entry no longer exist."

CONTINUANCE OF PERSONNEL, FUNDS, ACTION, AND SO FORTH

SEC. 8. Section 339 of the Tariff Act of 1930 is hereby amended to read as follows:

"SEC. 339. EFFECT OF ENACTMENT.

"(a) All personnel, property, records, balance of appropriations, allocations, and other funds available (or to be made available) to the United States Tariff Commission shall be transferred to the Authority for use in connection with the exercise of its functions; and such transfer shall not operate to change the status of the officers and employees transferred from the Commission to the Authority. No investigation or other proceeding pending before the Commission at such time shall abate by reason of such transfer but shall continue under the provisions of this Act.

"(b) Wherever in the Tariff Act of 1930, or in any other law, the terms 'United States Tariff Commission' or 'Commission' occur, such terms shall be construed to mean the 'Foreign Trade Authority' and the 'Authority,' respectively."

STATISTICAL ENUMERATION

SEC. 9. Title IV, part III, section 484 (e), of the Tariff Act of 1930 is hereby amended to read as follows:

"(e) STATISTICAL ENUMERATION.—The Chairman of the Foreign Trade Authority is authorized and directed to establish from time to time, after consultation with the Secretary of the Treasury and the Secretary of Commerce, a statistical enumeration of imported articles in such detail as he may consider necessary and desirable to effectuate the purposes of this act. As a part of each entry there shall be attached thereto or included therein an accurate statement giving details required for such statistical enumeration. The Secretary of Commerce is hereby authorized and directed to make such reasonable and proper digests from, and compilations of, such statistical data as the Chairman requests. In the event of a disagreement between the Chairman and the Secretary of Commerce as to the reasonable and proper nature of any request the matter shall be referred to the President whose decision shall be final."

REVISED TEXT OF TARIFF ACT

SEC. 10. The Authority, as soon as practicable, shall prepare and cause to be printed as a public document available for public distribution a complete revised text of the Tariff Act of 1930, as amended: *Provided, however,* That nothing herein shall be construed as superseding the provisions of section 101, title I, of the Customs Simplification Act of 1954.

EFFECTIVE DATE

SEC. 11. This Act shall take effect as of June 12, 1955.

Senator KERR. There is here the statement by Joseph H. Courtney of the American Glassware Association that he asked to be inserted in the record of the hearings in view of the fact that he was taken seriously ill and is unable to attend the hearings, so the statement will be included in the record.

(The statement of Mr. Courtney follows:)

TESTIMONY BY JOSEPH H. COURTNEY, TREASURER OF THE MORGANTOWN GLASSWARE GUILD, INC., MORGANTOWN, W. Va., AND REPRESENTING MEMBERS OF THE AMERICAN GLASSWARE ASSOCIATION MANUFACTURING HAND MADE TABLE SERVICE, TUMBLERS, AND ORNAMENTAL GLASSWARE

I am Joseph H. Courtney and appear before your committee for the Morgantown Glassware Guild, Inc., of Morgantown, W. Va., of which I am treasurer, and also in behalf of the members of the American Glassware Association, who manufacture hand-blown and pressed table service and art glassware and tumblers. The association membership includes about 75 percent of the United States producers of this ware and I believe the remaining 25 percent are in accord with my position.

I appeared before the Ways and Means Committee at its hearings on H. R. 1, and I have been informed that a digest of that testimony has been made available to you. In that statement, I declared that the hand table service and art glassware industry did less than 2 percent of the dollar volume done by the entire United States glassware industry which includes containers, flat glass, optical glass, building glass, and several other segments of the pressed and blown glassware industry. This small segment of the glassware industry in 1953 felt the impact of 17 percent of the total dollar imports of all glass and only was able to sell less than 1 percent of the entire United States glassware industry's dollar total exports. It can readily be seen that it is this small part of the glassware industry that has had to contend with the steadily increasing import dollar volume.

My own company, the Morgantown Glassware Guild, Inc., produces only hand-blown glassware for the serving of food and beverages, and ornamental glassware. This latter section of the industry, making hand-blown glassware, produces less than 1 percent of the entire glassware dollar volume consumed in this country, yet it has to compete with approximately 15 percent of the entire glassware industry's imports and it exports an infinitesimally small quantity, practically nothing. That is why we have continually declared that the trade agreements program of the last 20 years has not helped us and we have constantly appeared in opposition to it.

It was the hand-blown table service and art glassware industry which 2 years ago asked for relief under the escape clause of the Act. Since then, over half of the hand-blown table service and stemware consumed in this country has become foreign made. This situation has caused great distress in the hand-blown and pressed industry as many of the manufacturers in this country who produce hand-blown ware also produce hand-pressed ware. The latter factories are geared to a much larger production than they are now able to sell and as a result many of these factories as well as those producing only hand-blown glassware are in serious financial trouble. The combined hand-blown and pressed industry is finding it difficult to continue operations.

Since the President's decision made last summer not to aid this industry, two factories have closed and presently others are struggling to keep going by working anywhere from 2 to 4 days a week. The President in his letter refusing aid stated the decline in the hand-blown industry was not due to imports but rather to the increase in sale of automatic machine glass tableware. Prior to his making this decision he had been furnished with all of the data that appears in the exhibits that were presented at the Ways and Means hearing. How he could arrive at this decision we cannot understand but we surmise that so much criticism had been leveled at him due to the increased tariffs in the watch case that he just was advised he couldn't make another favorable decision with regard to raising tariffs to assist the handmade glassware industry.

This all strengthens our belief that the question of tariffs should not be left finally to the President but should be placed in the Congress which would dele-

gate investigative action to experts on each commodity. These experts are now available in the Tariff Commission staff and in the Department of Commerce. Modern business is so complicated that a Chief Executive of this country cannot be expected to appraise information that is sent to him sufficiently, to enable him to make final decisions unaided. That is why we favor making it mandatory that the President accept the Tariff Commission's findings. We believe that it is possible for the Tariff Commission to get full information from the State Department regarding the international political situation and from the Defense Department regarding the necessity of certain articles in the national defense. Both of these factors could be considered by the Tariff Commission as to how they will affect the domestic economy, just as well as by the President, who has not the time nor the intimate knowledge to make the searching investigation that is required to determine fairly on them.

The question may arise in some of your minds as to why producers of handmade glassware do not change and adapt their plants to manufacture automatic-machine-made glassware. Gentlemen, that has been tried by three companies and in every instance they have had to abandon it. First, because they have not the capital to do it. An investment of well over a million dollars is needed to provide the machinery and plant changes; and, secondly, a complete change of distribution channels and sales force has to be made. Our men sell glassware in dozens where the machine glassware salesmen sell it by the gross—we never ship a carload whereas machine plants customarily ship by the carload.

Handmade glass finds its market almost exclusively as giftware whereas machine-made glassware is sold almost entirely on a utilitarian basis. Two entirely different types of management, salesmen, and outlets and retailers are required. Both have their place in the United States economy. Both can coexist profitably but only if handmade manufacturers are not run out of business by our Government favoring handmade glassware manufacturers in foreign countries. Frankly, we can see no reason why our Government officials should prefer to look out for foreign workmen rather than United States workers. Sixty-five percent of the total selling price of handmade glass at wholesale level is paid to highly skilled and trained workmen as wages. This difference between American and foreign wages (which is anywhere from one-eighth to one-third of the American wage rate) is what maintains the United States high standard of living. To maintain it, Congress must impose some sort of barrier to keep out products made from the low-wage-scale foreign labor. Unless this is done, wages in this country will sag and eventually great discontent will be rampant among our workers.

More and more industries join our ranks as time goes on. At the hearings on H. R. 1 before the House Ways and Means Committee, the giants of American industry, including many of the great chemical and electrical companies appeared, and for the first time to my knowledge, made basically the same plea that we smaller companies have been making for many years. That was, that despite their great size, resources, and scientific and technical skills, they simply cannot compete in the American market with the extremely low wages paid by their foreign competitors.

They now seek, as we always have, some sort of equalization with the low wages paid abroad. As these industries are injured they strive for relief as was evidenced by the tremendous pressures that were brought by them on their Congressmen when H. R. 1 was before the House of Representatives for action. In the test votes H. R. 1 passed only because of party political pressure applied when it was so urgently needed. I do not believe that that is the way tariff and trade policies should be enacted. It is far better to have the whole subject taken out of politics and placed in the hands of experts who have the time and knowledge to develop fair and adequate regulations subject to approval and the supervision of Congress.

In the glassware industry which I represent, I do not believe that the lowering of present tariffs will, to any marked degree, increase the sale in quantity of hand blown table, stem, and art glassware. Foreign manufacturers are now having no difficulty in underselling domestic glassware under the present tariff levels. Yet in H. R. 1, the President is given the power to reduce these tariffs 5 percent each year for the next 3 years and also the power of reducing by half the 1945 tariffs on any articles not now being imported or being imported in negligible quantities. We believe that the Senate should in some way safeguard this power by definitely making these reductions subject to approval of the Tariff Commission which should be given authority over tariff rates and trade regulations subject to the Congress.

The escape clause and peril points as they are now administered under the present law, are convincing safeguards to talk about by those who wish to rush legislation through the Congress and impress the public,⁹ but actually they mean but little, because every recommendation is subject to the President's opinion, and his decisions are final. The hand-made glassware industry knows from sad experience that the statement "that no American industry will be injured" is mere words used to get votes in the House when such votes became extremely necessary. This industry has been injured and continues to be injured and no relief was extended to it by increasing duties or declaring quotas last July.

I definitely feel that the bill H. R. 1 should not be acted upon by the Senate until the Congress and the public are informed on the outcome of the present negotiations with Japan, now taking place in Geneva, and are also informed of the results of the conference of signers of GATT which will quickly follow the Jap negotiations. There is no great need to rush action on H. R. 1 for there is no actual deadline to meet.

As a long-range program every effort should be made to develop and stabilize our tariff rates not only to relieve the foreign exporter from the uncertainty of our tariff policy but also to give as much certainty as possible to the American manufacturer. This thought was expressed as essential by Mr. Gwilym Price, president of Westinghouse Electric Corp., in his testimony before the Ways and Means Committee and I entirely agree with him.

We also oppose using our tariffs and trade regulations as trading elements to accomplish diplomatic and political ends in dealing with foreign countries. H. R. 1, in its present form, continues this practice.

We believe that tariff rates, and quotas if necessary, should be established which will equalize the difference between wages paid by foreign countries and those paid by our own industries.

An amendment to H. R. 1 filed in the House by Representative Thomas B. Curtis of Missouri which provides that no reductions be made in present tariff rates unless foreign producers pay at least United States minimum wage requirements on these wares when they are sold in the American market, seems to me to be a step in the right direction. The real concern in this country in regard to lowering tariff is based primarily on the great difference of wages paid to workmen abroad and here. I know the principle stated in the amendment has the support of our manufacturers, other industries, and labor unions. This amendment would bring about an increase in the foreign worker's standard of living, expand their buying power to purchase our exports, and at the same time would safeguard to a large extent the living standards of American employees.

We further recommend that the Senate amend the bill to provide for a seven-man Tariff Commission and thereby eliminate split decisions, of which there were several last year. The Tariff Commission should be made nonpartisan as tariffs and trade policies, in reality, have ceased to be a part of national partisan politics. Further, that the action of the Tariff Commission in all escape-clause cases and on peril-point considerations be made final, subject to the will of Congress.

Also, we urge that no product amendments be allowed which will permit a large industry, because of size, to be excluded from the jurisdiction of the act and that no industry be allowed a quota unless similar treatment is provided to all industries. Fair play for all is the American way and just because an industry is small is no reason why it should be neglected or discriminated against.

We further suggest that the entire Tariff Act of 1930 be revised. It has not been kept up with technological changes in industry and, therefore, is inadequate. It should be rewritten. I realize that this would take considerable time but legislation should be started to bring this 25-year-old document up to date.

Let me make it clear that the American handmade table service and art glassware industry opposes imports of glassware only when such imports are sold in this country because of the low wages paid foreign workers. Be believe that the first duty of the Senate and the House is to look out for their own people. It is well for them to give aid to foreign countries as generously as they can, but they should recognize the desirability and necessity of maintaining our higher United States standard of living and activity. The present provisions of H. R. 1 do not accomplish equality for United States workers and manufacturers.

Thank you for your permission to state my opinion to the committee.

Senator KERR. I submit for the record a letter to the chairman from W. A. Delaney, Jr., of Ada, Okla., of March 3, 1955.

(The letter referred to follows:)

ADA, OKLA., March 3, 1955.

Senator HARRY F. BYRD,
Senator Office Building, Washington, D. C.

DEAR SENATOR BYRD: It is my understanding that on March 15 a hearing will be held on H. R. 1 before the Senate Finance Committee, and that one of the things which will be considered in that hearing is a limitation of some sort on oil imports.

I am taking the liberty of writing you this letter to call your attention to the impact of imported oil on the economy of this State.

First of all, let me say that the entire economy of Oklahoma is geared to oil production. I venture the assertion that at least 70 cents out of every dollar collected by Oklahoma Tax Commission is derived from the gasoline tax, the gross production tax, sales tax on petroleum derivatives, and income taxes paid by the various persons, firms, and corporations deriving income from the production, transportation, processing, and marketing of petroleum products in this State, including taxes on capital gains and income arising from the sale of leases, mineral interests, and annual delay rentals and royalties on production.

To take one of these taxes for example; namely, the gross production tax. During the months of July through December 1953, the gross production tax produced an income to the State of Oklahoma of \$14,063,519.78. In a comparative period of 1954, the State collected in gross production taxes \$11,883,467.91, or a decline in revenue to the State from this source alone of \$2,180,051.87. When you consider that gross production taxes in Oklahoma amounts to 5 percent of the gross value of oil produced and marketed, it is a matter of simple calculation to ascertain that the domestic petroleum industry within the State of Oklahoma was deprived of gross income of \$43,601,037.40 in the last 6 months of 1954 as compared with the same period of time in 1953. Assuming that this vast sum of money changed hands only 1 time in a 6-month period within the State of Oklahoma, a loss of sales tax in the sum of \$872,020.74 resulted in 1954 in comparison with the previous period of 1953. Oklahoma's tax loss on the 2 items mentioned would thus amount to \$3,050,072.61. This, of course, does not consider the loss in income taxes; neither does it consider the very considerable unemployment which resulted directly from a restriction in production in the last 6 months of 1954 as compared with the previous period in 1953.

Beginning with the 1st of October 1954, up to the 1st day of February 1955, the importation of crude produced outside continental United States was materially accelerated. While I do not have the actual figures at hand, I know that I am safe in saying that at least 300,000 barrels per day more foreign oil found its way into the markets of the United States in the month of January 1955 than in the month of September 1954.

During the year 1954, the above-ground storage of crude was reduced approximately 15 million barrels, and in accomplishing that reduction in above-ground storage, the State of Texas was the major contributor. Oil produced in Texas and stored above ground was reduced in the order of 9 million barrels. Oklahoma was second. The reduction in above-ground storage of Oklahoma produced crude was substantially 5 million barrels. The balance of the Nation was responsible for a reduction of approximately 1 million barrels.

No sooner had the above-ground storage been reduced than imports of foreign oil were materially increased and will, within a short time, refill above-ground storage to the point that wells in the midcontinent region will be further restricted in production to the material disadvantage of oil producers in this region, with consequential loss of revenue to the State.

The gross production tax in Oklahoma goes to the support of our schools, our county highway system and the general fund of the State. At this time, we must consider a constitutional amendment authorizing an increase in taxes to build schools and provide facilities to comply with the integration of our school system in conformity with the decision of the Supreme Court of the United States. The bottom of the barrel has been reached unless a higher constitutional limit is voted to provide the funds with which to accomplish this end.

We had 13,000 more children to enroll in September 1954 than were enrolled in our public schools in 1953, and statisticians estimate that this increase in numbers will continue at about the same level until 1960 when the growth in school enrollments may begin a leveling off. Since our schools do depend heavily on

the various sources of revenue produced by oil for operating income, further restriction on oil production in this State will mean that the standards of our schools will be lowered and their terms shortened.

When I tell you that the Corporation Commission of Oklahoma saw fit to restrict the production of wells in this State to a level of 15 barrels per day for a vast majority of the producing wells in Oklahoma, you can readily understand how ridiculous it is for independent oil producers to try to compete with those American companies who import Middle Eastern and other foreign crude oil from the other prolific fields of South America and Canada.

In all Iraq there are only 75 producing oil wells with an average daily production of 625,000 barrels per day. These wells are comparatively shallow and comparatively inexpensive to drill and operate. When you consider that 75 Middle Eastern wells are producing 75,000 barrels per day more than the sixty-five to seventy thousand wells in Oklahoma, you can begin to realize our handicap.

I sincerely hope Governor Gary of this State will have an opportunity and the time to appear before your committee. He is well informed, sincere, and is trying, in my opinion, to do a job in Oklahoma that will follow the pattern you so ably set in Virginia many years ago.

I want to compliment you on your forthright stand on tax reduction. No one is more tax conscious than I am, but it appears to me as the height of folly to reduce taxes of any kind as long as the Government persists in spending more each year than it collects.

With cordial personal regards, I am
Sincerely,

W. A. DELANEY, JR.

Senator MARTIN. That we might have it in the record, I wonder if we might state before Senator Daniel returns you are speaking about getting new reserves. There is also in addition to that improved methods of production.

Take for example in Pennsylvania, we have wells that have been producing for 60 years, and the experts tell us they is still as much oil in the ground in those wells as has already been taken out of them, and it is hoped and demonstrated that it can be done by secondary recovery methods, and that a great deal more oil will be produced from those old wells.

That makes an additional reserve that we haven't put in our calculation.

Senator KERR. That is correct.

Senator MARTIN. The same will occur in the fields in the East and Oklahoma and Texas and California and the fact of the matter is that you are doing a lot of those things already in Oklahoma and Texas which makes us a reserve that we have not calculated other than what we usually refer to as oil reserves.

Senator KERR. In the old days a field was found, produced, and abandoned when the energy in the ground ceased to produce the oil for the operator.

Experts now estimate that not more than 25 to 40 percent of the oil that was in that reservoir was recovered by that method and they are now going back into those areas and putting them on secondary recovery procedures and programs and as you say the reserves that are stimulated do not take into account billions of barrels which will be eventually produced from these old reservoirs by new methods of production.

Senator MARTIN. That plus what we will get from shale oil and from what we can produce from coal we will be in an almost perfect strategic standpoint as far as defense is concerned, because the over-

all defense you should have the critical materials within your own lines.

Take the example of probably the hardest fought war of all history, the one between the States and the thing that the, the great thing in favor of the Northern States was that they had such a fine steel industry within their own lines.

And that is what we must have. We must have oil because oil in modern war—and there probably will be that need for a good many years to come, the great critical war item is oil.

And we have to have that within our own lines.

Senator MALONE. Mr. Chairman, may I say just one more thing. This committee has recognized already that the depletion allowance has kept the oil industry going and continually discovering more oil because the 27½-percent depletion has furnished money that they could gamble on dry holes.

This committee further recognized last year the same thing on strategic and critical minerals. Fifteen to twenty-three percent depletion is allowed and it is helping materially.

Senator KERR. Senator Daniel.

STATEMENT OF HON. PRICE DANIEL, A UNITED STATES SENATOR FROM THE STATE OF TEXAS—Resumed

Senator DANIEL. Mr. Chairman, Senator Barkley a moment ago touched on a phase of the argument that while we can get this Middle Eastern oil we ought to go on and use it and save our own oil by holding it in the ground. Some people make that argument and it might be a sound argument if the domestic industry in this country could afford to shut down and tell all the people employed to go home and stay a few years until we get into a war which we hope will never occur. Or, it might be a sound argument if it were true that we had discovered all the oil that exists in this country. But we have not.

We have not discovered all the oil in this country yet. We don't know where it is. We can't afford to shut down the industry while we use foreign oil. We need to have a sound and progressive industry with a market for the oil in order to cause independents to keep on looking for oil and searching out and finding these new reserves so they will continue to do in the future what they have been doing in the past—that is discovering more reserves than we exhaust. We must have the available oil discovered and ready to produce at increased rates if war or other emergencies should come.

Senator MALONE. Isn't there one other angle too, Mr. Chairman, that we are all forgetting in the national defense, and that is the economy of the country and the economy of a State. It has to be kept up. It may change over the years through domestic competition but for a hundred years we kept it from changing materially from foreign competition and we are talking now about \$2 a day wages against \$15 and \$20 a day wages—ours here. Of course you can get it cheaper. These people are talking about a cheaper product, they are talking about using cheaper wages, 90 percent of the time.

They will deny they are against high wages but they really are.

Senator KERR. When we eliminate these domestic industries we eliminate the means whereby we can import those things.

Senator MALONE. I think if you eliminate the high wages the economy will collapse.

Senator SMATHERS. Is there an unemployment problem in Texas in the oil industry?

Senator DANIEL. In some sections of the State we have had drilling rigs stacked and we have unemployment; yes. Generally, in the oil industry in our State I do not think it is as bad as it is in Oklahoma. But the important thing is that there has been enough injury to where I can see signs of what is going to happen the rest of this year and in the future if oil imports continue to increase.

I am not concerned nearly so much about how we have already been injured in our State as I am about how much we are going to be injured in the future by these oil imports if they continue to increase as they have in the last 2 years.

Senator SMATHERS. In Texas you have more wells and more profits and more people employed and more production than you have ever had before, haven't you?

Senator DANIEL. Senator, I do not have the figures to that effect. Not as far as the oil industry is concerned. On a percentage basis we have less production than we have had before, on a percentage of the market demand for crude. We have been restricting our percentage of producing capacity more each year.

A moment ago you asked the Governor of Oklahoma as to whether or not Oklahoma was producing more oil than it was a few years ago. Actually on a percentage basis it is not. Total barrels because of increase in market demand might have increased over a period of years but as far as percentage of production in relation to the market demand for the Nation, we have not increased. We have been going down in recent years and we should have been increasing, based on new discoveries and increased producing capacity.

Senator CARLSON. I would like to make a statement on that point, that based on charts submitted by Mr. Holman, of the Standard of New Jersey, when he appeared before this committee it showed that production in Kansas for an 8-year period 1947-54 had run consistently at the hundred million barrels per year.

It seemed reasonable to assume that in that State where we are simply similarly situated to Oklahoma and Kansas not as great oil States but we are a substantial oil producer, our proven reserves increase every year and yet based on the increase in population during that 8-year period of probably 20 million people we did not increase our oil production at all. We continued on the same basis and we were entitled had it not been for imports and other reasons to have increased the oil industry in Kansas. We have the proven reserves.

Senator KERR. I think that is very important for this picture.

Senator DANIEL. To show how the oil industry has increased its oil reserves through the years, I now offer a chart which comes from the American Petroleum Institute. One of our independent producers in Texas just handed this to me. I offer this for the record.

Senator MARTIN. Without objection it is so ordered.

(The document is as follows:)

Proved United States reserves of liquid petroleum

	<i>Billion barrels</i>		<i>Billion barrels</i>
Dec. 31, 1946.....	24. 0	Dec. 31, 1950.....	29. 5
Dec. 31, 1947.....	24. 7	Dec. 31, 1951.....	32. 2
Dec. 31, 1948.....	26. 8	Dec. 31, 1952.....	33. 0
Dec. 31, 1949.....	28. 4	Dec. 31, 1953.....	¹ 34. 4

¹ Latest available figure.

NOTE.—Despite increasing demands, the domestic industry has been able to add to its proved reserves every year. The only way this can be done is to drill more wells each year. The money and the incentive to drill the necessary wells and add to our reserves must come from the sale of oil in the domestic market. Excessive imports reduce the market and reduce the producers' income which means less drilling and less reserves.

Source: Committee on Reserves of the American Petroleum Institute.

Senator CARLSON. This is for several States.

Senator DANIEL. This shows United States reserves of liquid petroleum and demonstrates how they have increased from 24 billion barrels on December 31, 1946, to 34.4 billion barrels on December 31, 1953.

Senator MALONE. One of the greatest hoaxes that was ever perpetrated on the American people was begun under Harold Ickes, Secretary of the Interior, of saying we were running out of oil and by trying to do away with the depletion allowance. If he had had his way we could have run out of oil.

You can't run out of petroleum fuel in this country except by design.

Senator DANIEL. It might happen some day if we shut down enough rigs and made the incentive so small that people could not go out and find any new reserves.

Senator MALONE. That is by design.

Senator DANIEL. Only then might we run out some day. Mr. Chairman, next I offer a table here which shows you petroleum imports, domestic demand, and relationship of imports over the period of 1946 to 1955. The source for the information is United States Bureau of Mines, and the table was prepared by the Independent Petroleum Association. I offer that for the record.

Senator KERR. Without objection, it will be in the record.

(The document is as follows:)

United States petroleum imports, domestic demand and relationship of imports to demand, 1946-55

(In thousands of barrels per day)

	Petroleum imports				Domes- tic demand	Ratio to total im- ports to domestic demand
	Crude oil	Residual fuel oil	Other products	Total		
						<i>Percent</i>
Prewar average, 1936-41.....	89	66	16	171	3, 396	5 0
War average, 1942-45.....	99	78	32	209	4, 391	4 8
Postwar 1946.....	236	122	19	377	4, 912	7 7
Postwar 1947.....	267	149	21	437	5, 452	8 0
Postwar 1948.....	353	146	15	514	5, 775	8 9
Postwar 1949.....	421	206	18	645	5, 803	11 1
Postwar 1950.....	487	329	34	850	6, 507	13 1
Postwar 1951.....	491	326	27	844	7, 053	12 0
Average 1946-51.....	375	213	23	611	5, 917	10 3
Average 1952.....	573	351	28	952	7, 280	13 1
Average 1953.....	648	360	26	1, 034	7, 604	13 6
Average 1954.....	656	364	44	1, 052	7, 752	13 6
Estimated 1st 6 months, 1955.....	760	430	40	1, 230	² 8, 150	15 1

¹ As reported by 18 companies to Texas Railroad Commission at February 1955 hearing, plus estimated imports by nonreporting companies and adjusted to reflect reduction announced by Standard Oil Co. of California after hearing.

² Based on estimated actual demand during January and February and forecast by U. S. Bureau of Mines for 2d quarter.

Source: U. S. Bureau of Mines, except as noted.

Senator CARLSON. I think it would be interesting if we had for the record the oil imports for the year 1945, and then the figures for 1954, which would, I believe, show a great increase.

Senator DANIEL. For 1942-45, the imports averaged 209,000 barrels per day or 4.8 percent of the domestic demand for oil.

Senator CARLSON. You were running pretty well up to your schedule there, that is to say, on what you call—what is your word for the efficiency basis?

Senator DANIEL. Maximum efficient rate of production.

Senator CARLSON. Your wells were running on that maximum efficiency basis. It was not necessary to cut them below that.

Senator DANIEL. That is right. Since 1945, imports have increased over 200 percent, about 5 times as much as domestic production.

Senator CARLSON. In view of the fact that I mentioned the average production for Kansas for 8 years I have been given some figures that I think are most interesting and show what has happened in our own State.

As I stated Kansas for 8 years has averaged 100 million barrels per year. During that same period the national consumption of crude oil increased more than 40 percent and during that same period the unrestricted imports increased 140 percent which I think is positive proof that the oil industry in our Middle West and in the Nation has been held back by oil imports.

Senator DANIEL. Mr. Chairman, the petroleum industry in the United States is, of course, one of the greatest bulwarks to our general economy. That has been referred to by Senator Malone. All but 18 of our 48 States produce oil or gas or both.

Senator MALONE. We have one producing oil well in Nevada.

Senator DANIEL. Yes, sir. I hope we will include Florida and Georgia before long, but we won't be able to do it if there is not a demand for the products which will cause wildcatters to get out and look for the oil.

Senator SMATHERS. May I ask you a question right there which has been disturbing me. You take countries like Venezuela that is one of our good customers and having as its probably only exportable item oil and we all get up here and make speeches and talk about the importance of keeping a country like that on our side of the fence and cooperating with us, how do you propose to continue to keep a country like Venezuela reasonably strong and working and cooperating with us if at the same time we limit it as to the one item which they can export to us?

Senator DANIEL. Venezuela would not necessarily be limited in oil imports to this country. Her exports to us would not be limited if we adopted a historical basis or a reciprocal basis in distributing the proposed quota.

For instance, I think that the way this 10-percent quota should be divided among the nations of the world is on a reciprocal basis. We call this a Reciprocal Trade Act and it looks to me like the supposed spirit of the act would fit into that kind of a distribution of the quota.

Senator MALONE. Who named it that?

Senator DANIEL. I don't know.

Senator MALONE. It is not in the act, is it?

Senator DANIEL. If we divided this quota on the basis of trade with the United States, Venezuela would not be seriously cut at all. She

could export to us, and so could Mexico and Canada and most of the other countries of this hemisphere, because they trade with our own country so extensively.

Senator SMATHERS. In other words, you would recommend an actual reciprocating proposition between those countries who want to export to us?

Senator DANIEL. Yes, on the division of this quota. Understand we have had quotas on oil in the past. We worked out a quota agreement with Venezuela in the past, and it operated successfully for several years until it expired.

I think whatever we do under this 10 percent quota and the way it is administered that countries like Venezuela, Mexico, and Canada will continue to receive their fair share, and it can be done on several different formulas, but I think the reciprocal formula is the one that is best. It was advocated by the Independent Petroleum Association, or at least advanced last year as a type of program that we should consider.

Senator MALONE. Mr. Chairman, while we are on the subject, I have always contended that this was not a reciprocal trade act at all and, of course, you understand, Senator, that "reciprocal trade" is not in the act or in the title of the act. This slogan was invented by the London bankers at the time to sell free trade to this country. I would like at this moment to read into the record what Secretary Dulles said—that these matters should be left to the President's judgment. He says in answer to a question, "I think those matters which we have the international factors involved"—(meaning amount of imports which should be to an extent within the discretion of the President's judgment), and then he goes on to say, "I do recognize that competition, whether it is domestic or foreign"—he recognizes them on an equal basis—"does injury, and the injuries first are to the weaker and less competent units in an industry," and I suppose you are here representing the weaker units of the industry, are you not?

Senator DANIEL. Yes, sir, as well as I can. And also those who are going to be made weaker in the future if they don't stop these excessive imports of oil.

Senator MALONE. That won't be the major oil companies.

Senator DANIEL. Not those who own the foreign oil.

Senator MALONE. Who are these companies? Can you name them—that this is the majors, who are all for this so-called reciprocal trade that is not reciprocal?

Senator DANIEL. No, sir; I can't name them. I understand from the papers that two representatives of major oil companies have appeared in favor of this legislation, but I can't name all of them. I presume they include most of the large important companies.

Senator MALONE. Standard Oil of New Jersey testified here—that is to say, its president, Mr. Holman, whom I consider an outstanding citizen of this country. I took a look at his rugged countenance, and I would want him on our side if the fight started.

He said he thought his companies ought to be able to balance and judge the amount of oil to be imported and the amount to be produced in this country.

Senator DANIEL. I have thought that for about 3 years. I thought they should, too.

Senator MALONE. But you find now—

Senator DANIEL. I would be one of the last to come before the Congress and ask the Government to enter this field, even on the imports; that is why I have advocated the voluntary action through "industrial statesmanship," but it just doesn't seem to have worked. Frankly, from what I have heard probably Mr. Holman's company has tried, and others have done so, but when they reduced their imports, some of the other importers would increase their shipments. They can't continue to reduce their imports while their competing importing companies refuse to do so.

Senator MALONE. You agree then that the 1934 Trade Agreements Act was designed all along and does now just what Mr. Dulles said in his testimony that he does recognize that "competition whether it is domestic or foreign rate on an equal basis, domestic or foreign, does injury and it injures first the weaker and less economical units in the industry." It does injure you people that are trying to keep going without the aid of the ownership of profitable long pipelines and rich foreign deposits.

Senator DANIEL. The 15,000 independents we have in this country will be the ones that will be injured the earliest.

Senator MALONE. You understand I am for you. But I would like for you to take cognizance as the Governor of Oklahoma did that there are 5,000 other industries in the country that are in just the same position or headed that way.

He named 3 or 4 of them.

Senator DANIEL. Yes, I do. The first paragraph of the proposed Neely amendment does apply to any of those industries or commodities which are determined to be essential to the national security. We have broadened that amendment at least to some extent in line with the Senator's views.

Senator MALONE. Do you understand that there is a bill before this committee already that takes cognizance of the critical and strategic materials and would, on a reorganization of the Tariff Commission to allow the Commission to fix the quotas and allow them to fix a fair and reasonable basis for imports and resort to quotas if it were necessary and to do that on all critical materials so designated by the War Department?

Senator DANIEL. Yes, sir, I understand that. That is your bill, is it not?

Senator MALONE. That is my bill. That has been in here now 3 or 4 years.

Senator DANIEL. Yes.

Senator MALONE. But the oil industry wasn't too much injured up to now?

Senator DANIEL. I see.

Senator SMATHERS. You go ahead.

Senator DANIEL. Throughout the Nation about \$7½ billion worth of petroleum was produced in 1952. This exceeded the total value of all other minerals and metals and fuels produced in the United States in 11 of our States including my own State of Texas, crude petroleum ranks first in value of all minerals produced.

It is obvious that the health of the domestic oil producing industry is of primary importance to these States.

In these States curtailment of oil output vitally affects not only the general economy, employment and related industries but has a serious impact on those State governmental operations dependent upon petroleum production taxation.

In Texas taxes on oil production amounts to 67 percent of all business and property taxes. Oil pays 45 percent of the cost of public education in Texas and 44.9 percent of the cost of higher education.

When production is slashed our State budget is denied funds for schools, highways, colleges, and other essential public projects.

Oil production in Texas alone in 1954 was 4.4 percent or 45 million barrels less than in 1953. This resulted in a direct loss from our general economy of almost \$100 million, with the resulting critical loss in tax collections. In addition to this direct loss, curtailed oil production caused indirect injury to many related industries and numerous other segments of our economy.

EFFECTS ON CONSUMERS

Excessive oil imports also have long-range implications for the consumer of oil products. Five large American-owned companies and one foreign firm control over 90 percent of the oil imported into this country. By contrast, there are literally thousands of independent oil producers operating in my State alone. The competition which exists between these producers has been the cornerstone for making this Nation the world's largest producer of oil. I cannot believe that reducing this competition through imports is in the long range interests of the American consumer.

THE PRESIDENT'S COMMITTEE

I believe that the proposed quotas on petroleum imports are in line with the findings contained in the recent report of President Eisenhower's Cabinet Committee on Energy Supplies and Resources Policy. That Committee clearly recognized that unrestrained imports present a threat to our domestic fuel situation and endanger our industrial growth and national defense. The Committee therefore recommended that imports be maintained in stable relation to domestic oil production. The proposed amendment to the Trade Agreements Act has the same purpose. It differs from the Cabinet Committee recommendations in only two respects. First, it establishes a relationship between imports and domestic supplies by law rather than by the voluntary action of the importing companies. The Cabinet Committee felt that voluntary action was desirable but recognized that other action would be necessary if this method failed. Second, the proposed amendment uses the period 1946 through 1951 as a basis for determining the relative position of imports, rather than the single year of 1954 used by the Cabinet Committee.

With regard to the limitation of imports by law, rather than by voluntary action, experience has led me to my somewhat reluctant conclusion that the former method offers the only equitable and practical solution. This conclusion is based on hard realities rather than wishful theory. As heretofore indicated, for several years Gen. Ernest O. Thompson of the oil regulatory agency in my State of Texas, has exercised his great abilities in an effort to find a sound

solution to the import problem through the application of industrial statesmanship. His efforts have been most helpful and constructive. Some of the importing oil companies responded to the need for voluntary restraint and there is little doubt that without such efforts the volume of imports would have been far more excessive than they were. Unfortunately, however, this experience served to demonstrate both the difficulty and inequity of such methods. Companies which reduced their imports were confronted by increases by other companies. The net result was an increase in total imports at the expense of the cooperating companies, the entire domestic petroleum industry, and the general economy of the States and areas in which oil is produced. It is my conviction, therefore, that the public interest is best served by legislative standards that can be applied equally and fairly to all.

HISTORICAL PERIOD

As to the proper historical period to be used in determining a fair relationship between imports and domestic oil production, recognition should be given to the conditions that have existed during recent years. Imports have been supplanting available domestic supplies to an increasing extent. As a result, an increasing curtailment has been forced upon the domestic producing industry. For example, under the conservation program of the State of Texas, the average number of days of allowed production have steadily declined each year since 1951. By 1954, Texas producers were allowed to produce an average of only 16.2 days per month, as compared with about 24 days in 1951. With a scheduled increase in imports, the outlook shows even fewer days in 1955.

Oil imports in 1954 were higher than ever before in history. Domestic oil production actually declined for the first time in several years. For these reasons, I believe that 1954 is not a desirable base period on which to provide fair restraints on oil imports. The Neely amendment recommends the more realistic and fair base period of 1946-51 when total imports averaged 10 percent of United States oil consumption. (See attached table for details.)

I would like to illustrate, for benefit of the committee, the effect of the 10-percent oil-import quota as recommended in the Neely amendment. If applied to 1955, it would permit the following volumes of imports:

[Barrels daily]

	U. S. Bureau of Mines reported domestic demand 1954	1955 import quotas at 10 percent of 1954 demand
1st quarter.....	8,592,000	859,200
2d quarter.....	7,596,000	759,600
3d quarter.....	7,581,000	758,100
4th quarter.....	8,668,000	866,800
Average for year.....	8,108,000	810,800

Such import levels would be reasonable. They would provide healthy foreign trade in oil. At the same time, such restraint would solve a grievous and growing national problem, by allowing orderly increases in imports, in relation to our domestic oil requirements.

I would point out that under this amendment the importing companies would still be allowed more than twice as much of the domestic market as they enjoyed in 1946, only 9 years ago. The domestic industry certainly has not enjoyed any such percentage increase.

A further important point should be noted in connection with these proposed import quotas. Total imports of crude oil and refined products in 1954 averaged 1,052,000 barrels daily, according to the latest revised figures of the United States Bureau of Mines. Western Hemisphere countries supplied 800,000 barrels daily, with 252,000 barrels being imported from the Middle and Far East. The above quota for 1955, under the Neely amendment, would be more than the total amount brought in last year from Venezuela, Mexico, Canada, and all other neighboring countries in this hemisphere. These are the countries that provide a large market for American goods. We should encourage healthy trade with our neighbors in the interest of hemisphere solidarity and defense.

National defense is a vitally important factor that the Government could and should take into account in administering the proposed oil quotas. From a defense standpoint, for example, Canadian oil is obviously in a different category from oil in the Middle East area. Military leaders have officially testified that their order of priority for oil supplies in the event of emergency is first, the continental United States; second, the rest of the Western Hemisphere; and last, the Eastern Hemisphere. This policy should be reflected in national policies as to oil imports. Import quotas could take into account the danger of increasing dependency on Middle East oil versus the relative security and accessibility of oil from neighboring countries in this hemisphere.

There are a number of other factors, of course, that the executive branch of Government would consider in administering these quotas. These include various problems in the field of international relations and trade. Without depreciating either the importance of the complexity of these problems, import quotas in general, and oil quotas in particular, are both practical and necessary when the Nation's welfare and security are advanced by such action.

I firmly believe that this proposed amendment to our trade program is in the broadest public interest and is vital to the future security of America. I urge this committee to give it careful and favorable consideration.

Senator SMATHERS. Thank you, Senator Daniel of Texas.

Senator DANIEL. I thank the committee for this opportunity to appear before you on this important matter.

Senator CARLSON. I would like to make a short statement on this. That I appreciate very much the Senator from Texas appearing in the interests of this bill.

I think two things we should stress perhaps—and I notice he stressed both of them. One is that we are not trying to limit all imports of oil in this country. No one has discussed that it be less than 10 percent importation.

Secondly, that the amount of importation even on the 10-percent basis would be eight hundred or nine hundred thousand barrels daily.

That is not an unreasonable amount I hope.

Senator DANIEL. That is correct.

Senator SMATHERS. The Senator from Oklahoma wants to ask you a question.

Senator MONRONEY. Senator Daniel, knowing your close and well-founded information on the oil industry, barring any amendment to this bill that would reduce the crude oil imports to 10 percent, is there any known method that independent producers could be protected against oil importation to where even the present meager amounts of production would not have to be further curtailed by perhaps 10, 20, or even 50 percent further?

Senator DANIEL. I know of no other way that the independent producers in this country can be protected from further injury by excessive oil imports.

Senator MONRONEY. In other words, each progressive cut in domestic production has in the past led to not only making that cut and sacrifice of domestic production up by importation but that is leading to even additional importations that lead to progressive further reductions?

Senator DANIEL. Actually it is probably the other way around. These increases in importation of crude have led to cuts by our State regulatory agencies of domestic production.

In other words when your State regulatory agency meets to decide how much the allowable production shall be, it asks the companies to say how much they will be importing. They get the market demand figures from the United States Bureau of Mines and there they have those figures and the prospective increased imports, and they have to take them into consideration; otherwise they would permit too much oil to be produced, too much above-ground storage and consequent waste therefrom.

Senator SMATHERS. But there is absolutely no limitation at the present time or in the foreseeable future other than by an appeal to this committee for some form of quota, about 10 percent on crude.

Senator DANIEL. I have come to that conclusion, and reluctantly.
(Discussion off the record.)

Senator MALONE. I have the highest regard for the senior Senator from Texas as he already knows. I did make the remark one time that sometime, somewhere, Texas and Nevada will get together and then there would be a reckoning of some of these matters. I hope this is the time.

Mr. Chairman, I would like to ask the witness if he does understand that a complete change in policy and in the principle of regulating foreign imports was made in the 1934 Trade Agreements Act.

I am going to explain it so that we may get the record straight: For 75 or a 100 years we had worked on the basis of the duty as the Constitution calls it (article 1, section 8, which charges the legislative branch with the responsibility of setting the duty and also of regulating foreign trade), of a flexible duty, a duty to represent roughly that differential of cost of production due to the wage standard of living difference and the taxes and other costs of doing business here compared to the chief competitive nation.

The 1930 act laid down a principle to the Tariff Commission of that difference of cost of production.

It did not permit them to take into consideration the political situation in Europe or the relation between various industries in the

United States of America the Tariff Commission was given only one criterion. Then in 1934 we changed that principle to allow one man in the executive department to consider all of these international political factors, making friends and influencing people and to consider also the relationship between agriculture and manufacturing and mining in this country.

So that one man could ignore all other facts.

Senator DANIEL. Yes, there was certainly a change in our basic program on foreign trade.

Senator MALONE. A basic change.

Senator DANIEL. A basic change. After that law was enacted we have had quotas set up with relation to oil, though, and other products.

Senator MALONE. But unless Congress interferes and does take up to a certain extent—

Senator DANIEL. Yes. That is where Congress has come in and set up quotas on various and sundry commodities, including oil for several years. In other words, the quota system is not something that is new at all.

Senator MALONE. They have a section 22, a quota system in the agricultural bill, so they set quotas on certain agricultural products.

Without reading his testimony we understand that the Secretary of State testified that they had had considerable trouble at Geneva getting the other foreign countries to accept certain quotas that we set.

You do understand that the Secretary of State definitely testified that in the enforcement of this act there would be injury to certain industries in this country?

Senator DANIEL. Yes.

Senator MALONE. And probably it will be the ones less able to protect themselves.

Senator DANIEL. I understand that. I am glad he is frank about it.

Senator MALONE. The first time that we have really faced the issue. Always before they said we are protected by the escape clause or the peril point or some other thing. In the last analysis, the President of the United States—and we think the State Department is the judge—determines whether either one of them, the escape clause or peril point, are invoked or not. Under the present act that is true, is it not?

Senator DANIEL. To some extent, it seems to be true.

Senator MALONE. To all extents. There is no limitation on the President's discretion.

Senator DANIEL. I was referring to the influence of the State Department on his decision.

Senator MALONE. The State Department influence has always been exerted for a lower tariff. That is the history of the whole thing. But the President of the United States actually makes the decision after the Tariff Commission is all through. Peril point, escape clause, anything else, he is the final judge as to whether it is invoked or not. That is true, is it not?

Senator DANIEL. That is my understanding.

Senator MALONE. You do understand that this General Agreement on Tariffs and Trade in Geneva is sitting there now like a cat at a rathole waiting for this extension. It has been operating since 1947 on a multilateral basis, and apparently we are bound by whatever they do under this act; is that true?

Senator DANIEL. I understand what the Senator has said about that. I heard the Senator put that question to the Governor of Oklahoma.

Senator MALONE. The question was put to Mr. Dulles, and he said that GATT was dependent on this act. Mr. Dulles testified to that yesterday. So I guess he would be authority enough for the situation, would he not?

Senator DANIEL. I accept what you say as to what Mr. Dulles testified.

Senator MALONE. You can read it when we print it.

Senator DANIEL. Yes. I am not going to express that as my opinion, though.

Senator MALONE. If that is true, and the Secretary so testified, then wouldn't it be a good idea to let this thing expire and go back to the 1930 Tariff Act and fix a tariff but have a flexible provision with direct orders from Congress to determine that differential of cost and recommend that as the duty?

Senator DANIEL. I am not sure that would work with respect to various commodities. For instance, cotton and some of our other agricultural products. Sugar, for instance, has an absolute quota. I doubt if it would work in the case of those products or if it would be sufficient in the case of oil. Senator, I can conceive of some of these foreign importers of oil being perfectly willing to go on and pay the increased duty in order to bring in the foreign oil and hold their domestic reserves in the ground.

It would be sort of like saying to some of the producers that are restricted by State regulatory practices that if you will pay so much more per barrel as a tariff or tax, we will let you produce over and above the allowable set by our conservation practices and rules.

In other words I think that as long as the domestic production in this country is pretty well controlled by laws and restricted by laws so as to stay somewhere within market demand, we need a law to restrict foreign imports so that they will bear a proper relation to market demands also. Otherwise our conservation programs, will be ruined, and I am not sure that just raising the tariff up to a certain figure would take care of that.

Senator MALONE. Now, Senator, I will ask you this question:

Why couldn't we allow this to revert and amend the tariff act along the lines of my amendment that I have had in for the past several years but which has never been considered. The amendment is in this committee now. There are 2 bills here, 1 is S. 404 and the other S. 400.

The only difference between them is that S. 400 is limited to strategic and critical materials. S. 404 would be a general bill on all products, which really should be passed. In any case allow the authority to revert to the Tariff Commission and amend the tariff act to not only set tariffs on a fair and reasonable basis, but also that the tariff should be based on the landed duty paid price, if you were unable to get a better criterion and to determine whether the landed duty paid price on an article is a fair price for the article. The bill then goes on to say:

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 imbalance in international payments—

Shall be taken into consideration.

Foreign countries get away from these trade agreements by manipulating the value of their exchanges and having exchange permits and permits for imports so nothing works.

Then the bill goes on to say:

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 * * *.

That is on our critical and strategic materials. Maybe this amendment to the 1930 Tariff Act, S. 400 which was introduced here in January 1955 might answer your purpose and include all other critical materials; would you have any objection to an act of that kind?

Senator DANIEL. No. The part that refers to the quotas on critical materials is really very much in line with the Neely amendment which I am supporting here today.

Senator MALONE. But it does then let other people understand the contents. In other words, what you are here for today is to take care of the oil industry, isn't it?

Senator DANIEL. The oil industry and other commodities essential to the national defense. Paragraph 1 refers to other commodities, not only natural resource commodities, but any other commodities that are essential to the national defense.

Senator MALONE. I understand that. It is a general statement but there is no stated percentage like there is in petroleum and it might get into a great deal of difficulty.

Senator DANIEL. When you say all I am interested in is to take care of the oil industry, I must take issue or at least clarify the matter. There is a part of the oil industry, and a major part in dollars and in size, that is opposed to the position I am taking here today. The major companies which own so much of our foreign oil do not agree with my position. I think we have about 15,000 independent oil operators in this country, and thousands of laborers and landowners, and they constitute the position of the oil industry that would be protected by the Neely amendment. However, my appearance here today is not as much even in behalf of that segment of the industry as it is in behalf of my State and the people of my State.

The men who make a living working in the oilfields, laborers, office workers, and landowners are interested in this problem. Our schools, our highways, our tax revenues are so dependent on oil production in my State that whenever the production allowable is reduced, that means the revenues of our State drop in proportion.

So I am really here representing my State and the people of my State who have a keen interest in this matter. Our State legislature passed a resolution on the subject asking Congress to do something about it, and I want to have permission to place that in the record, Mr. Chairman.

Senator SMATHERS. Without objection.

Senator DANIEL. A copy of the resolution of the Texas Legislature. (The document is as follows:)

HOUSE CONCURRENT RESOLUTION 23

Whereas there have been tremendous and growing increases in the importation of foreign oil, against which no restriction now exists in the laws of the Nation; and

Whereas the production of petroleum in the State of Texas has been unrealistically curtailed, to an injurious extent, as a result of the growing encroachment of foreign oil on the markets normally supplied by oil producers of Texas; and

Whereas taxation on oil production is a primary source of revenue to the State government of Texas, accounting for approximately 68 percent of all business and property taxes; and

Whereas taxation on the petroleum industry is depended upon to pay more than 45 percent of the cost of public education and 45 percent of the cost of higher education in the State of Texas; and

Whereas the aforementioned curtailment of oil production in Texas not only has a harmful impact on our general economy, but is seriously undermining our State tax structure to the extent that harmful losses are inflicted on State budgetary requirements for schools, colleges, highways, and other essential public projects; and

Whereas expanding oil production is not only essential to our State economy but is vital in generating full development of oil and gas resources to provide for future defense needs of our Nation and to stimulate business and commercial enterprises throughout our country: Now, therefore, be it

Resolved by the house of representatives (the senate concurring), That the Congress is hereby requested to give immediate attention to proposals now pending and to others which may be introduced for the limitation of imported oil as will cause no further injury to the oil-producing industry of the State of Texas and the United States; and be it further

Resolved, That copies of this resolution be forwarded to the Senators and Representatives in Congress elected by the people of Texas.

JIM LINDSEY,
Speaker of the House.

BEN RAMSEY,
President of the Senate.

Senator DANIEL. Furthermore, it is not strictly a State problem. I think I am appearing in the interests of the Nation when I appear here today asking that some kind of restriction be made on foreign oil imports so as to place those imports in relation to domestic market demand, because one of the most important things for this Nation in my opinion is for us to keep a sound and progressive oil industry. It is needed for the national economy and for national defense. We can't have it when we allow foreign oil imports to come into this country to the extent that independent operators are going to lose the incentive, the money, and the market necessary to enable them to get out and find new reserves in this country. I just want to make it plain that I am not appearing here strictly for what I think is best even for the domestic branch of the oil industry, but I am appearing here for what I think is the best interests of my State and my Nation.

Senator MALONE. Mr. Chairman, I appreciate what the Senator is saying and my cross-examination only has one purpose.

I know you believe that, to bring out exactly what you have said. The people are forgetting. They are talking now about national defense because one industry got relief on that basis and it appeared that is the only basis they got it on.

Now everybody is trying to get under that tent.

Senator DANIEL. Sir, it is about the only thing you can use to wake some people up to what is happening to the country and its safety by reason of excessive imports.

Senator MALONE. That is true. In other words, whenever you hold out that you can get a cheaper product by importing \$2 labor stuff then the consumer is going to be attracted. But if they are further referred to the fact that members of their family are probably working for an industry directly or indirectly that would be af-

ected by the policy if carried through to its logical conclusion and that they would have no job and no money to pay for the product even at a reduced price there is an entirely different reaction.

Senator DANIEL. That is right.

Senator MALONE. But that is not explained. So I say to you, Senator, it is not only the national defense of this country, it is the economic structure of this country that you and I are interested in.

Senator DANIEL. That is certainly right. As a result of some of our fiscal policies. I think we are in as much danger of being destroyed from within by lack of economic strength as being destroyed by force from without.

Senator MALONE. That is correct. This is an economic approach to destroy this Nation, named reciprocal trade by London bankers to sell free trade to the American people and that in itself already has had these effects, not only in the oil industry but in several other industries.

There is a suit pending in Federal court now, filed by a glass company in West Virginia that has lost half of its employees and lost half of its market.

I would say to you then that what you and I are interested in is preservation of the economy of this Nation. The 1934 Trade Agreements Act has caused these three results: First, unemployment, second, destruction of investments and, third, it has made us dependent on offshore areas across major oceans for many things without which we cannot fight a war or expand in peace. Now we are getting close to the Harry Dexter White activity back in 1945 when he wrote the Secretary of Treasury and suggested a \$10 billion loan to Russia to furnish these critical materials that, according to Mr. Ickes, at that time we were running out of.

Of course, we were not running out of them. We have more known reserves of every one of these critical materials than we ever did. If Mr. Ickes could have gotten away with his policy of taking the depletion allowance away from the petroleum producers so they had no money to build dry holes we would have run out of oil.

He was always running out of oil and every other material. That was the greatest hoax that was ever sold to this country. Mr. Ickes was a patriotic citizen but he was mouthing things put before him by certain subordinates.

I ask you, Senator, if you do understand that if allow this 1934 Trade Agreements Act to expire we will no longer be threatened with the shortage that Mr. Ickes feared, nor with the injury to certain weaker industries as Mr. Dulles outlines. You will remember that Secretary Dulles testified that he does recognize that it injures first the weaker units, meaning the ones that are not strong enough to go to foreign nations and put their investments in factories or oil producing wells and to send the product here. You believe, and I think correctly, that it would defeat the very idea of building the oil industry here in the beginning on a high standard of living of \$15 to \$20-a-day wages.

They reciprocate nothing. So the whole thing defeats what is supposedly its purpose and if products come in on your level of costs, or under quotas necessary as my amendment provides, then you think that would satisfy you?

Senator DANIEL. It is a long question.

Senator MALONE. It was not all a question. I asked you the question on the amendment. It first was a statement.

Senator DANIEL. I don't think that the situation will be properly cared for as to oil unless we have some absolute quota on a percentage basis of market demand. If market demand increases, then the imports can increase in relation to the increased demand. Also, we have a provision that the President may suspend this quota if there is ever a lack of production or shortage in our own country.

Mr. Chairman, as a typical example of the injury excessive oil imports are causing our domestic industry, I offer for your record the following statement by Ginther, Warren & Ginther, independent producers in Jones County, Miss.:

STATEMENT OF GINTHER, WARREN & GINTHER

Ginther, Warren & Ginther own the Ovett heavy oil field in Jones County, Miss. They have 4 wells capable of producing, with ease, 500 barrels per day, or 15,000 barrels per month, and many undrilled locations. There has not been a market for this oil for nearly 4 months, and the main reason there has not been a market is that the refinery to which they are selling the oil has been shut down, because it cannot meet foreign competition. Ginther, Warren & Ginther learned from the customs director at Mobile, Ala., that there is imported into Mobile, Ala., an average of about 114,000 barrels per month of South American crude, which is about 10 gravity, and competes directly with their Ovett crude. They think this is direct evidence that foreign imports are destroying American initiative, enterprise, and business, and as American citizens, they ask for relief.

Ginther, Warren & Ginther have continued to keep their employees on the payroll in the Mississippi oil field, and try to meet all other obligations as American citizens by giving substantial contributions to the community chest, YMCA, American Red Cross, various churches, chambers of commerce, local and national, and hospital drives. If the imports of foreign oil are not controlled, and if their field remains shut in because of being unable to compete with such foreign imports, they will naturally be forced, as a measure of self-preservation, to curtail the above-mentioned contributions. They do not believe that such action should be forced upon them by certain monopolistic corporations, whose very existence and position in foreign countries is protected and made secure by the Armed Forces of the United States, which they support by their taxes, both direct and indirect.

Senator SMATHERS. I wonder if I might interrupt you, Senator, to make this request. We have this gentleman here who is the president of the Independent Petroleum Association of America. I wonder if we could interrupt this particular testimony and let him come on and let him come back.

Senator MALONE. I just have one question.

Senate bill 404 would apply to all products in the United States the same policy that you and I agree ought to be applied to preserve the economy of this country and the national defense, and I would appreciate very much if you would study that.

Senator DANIEL. I will study that as I have told the Senator before.

Senator MALONE. Thank you.

Senator MARTIN (presiding). Mr. William Vaughey. Mr. Russel Brown is also to accompany him as I understand.

Mr. BROWN. Mr. Chairman, in view of the fact that there are several out-of-town witnesses, I would be perfectly willing to allow Mr. Vaughey and the others to take the time today and take a chance on giving my statement on some other day.

Senator MARTIN. We are hoping to get as far along as we can on this.

**STATEMENT BY WILLIAM M. VAUGHNEY, PRESIDENT, ACCOMPANIED
BY RUSSELL BROWN, INDEPENDENT PETROLEUM ASSOCIATION
OF AMERICA**

Mr. VAUGHNEY. My name is William M. Vaughney. I appear before your committee as president of the Independent Petroleum Association of America, a national organization representing oil and gas producers from all producing areas of the United States.

I believe it is worthy of mention to state that currently 30 of the 48 States in this Union are now producing in varying quantities, either oil or gas, and in most instances, both.

In the interest of conserving time and in order to be as helpful as possible to the committee in avoiding duplication of testimony our association has collaborated with other oil and gas associations throughout the country in an attempt to consolidate the testimony to the hearings to the fullest extent; the following associations, therefore, join in the testimony presented by me and Mr. Russell B. Brown on behalf of our Independent Petroleum Association, and for the record I would like to indicate who these other associations are.

Mr. J. P. Jones is present representing the Bradford District Pennsylvania Oil Producers Association, and also the New York State Oil Producers Association.

Mr. Elmer Hoehn is present representing the Independent Oil Producers & Landowners Association Tri-State, Indiana, Illinois, and Kentucky.

Mr. Robert L. Williams is present representing the Kansas Independent Oil & Gas Association.

Mr. J. P. Coleman is present representing the National Stripper Well Association, as well as the North Texas Oil & Gas Association.

Mr. Edward S. Martin is also present representing the Southwest Pennsylvania Producers Association.

In addition to that the other associations represented in this testimony are the Ohio Oil & Gas Association, the Oil Producers Agency of California, and the Panhandle Producers & Royalty Owners Association.

I have been engaged in the oil business all of my adult life and am now an independent producer of both oil and gas.

My residence is Jackson, Miss., where I have lived for the past 15 years.

About 6 weeks ago, I appeared before the House Ways and Means Committee to discuss the problem of excessive oil imports in connection with the proposed extension of the Trade Agreements Act.

Less than 3 weeks ago there was a new and important development relating to this problem. I am referring to the recent report of President Eisenhower's Cabinet Committee on Energy Supplies and Resources Policy.

Without duplicating my testimony before the Ways and Means Committee, I will endeavor to present and with brevity, certain information that I hope may be helpful in view of the Cabinet Committee's conclusions and recommendations.

As you know, that Committee was directed to study all factors pertaining to the continued development of sources of energy in the United States.

In my judgment it was a timely assignment and a good move in the right direction. It is natural to expect differences of opinion as to the details of any report covering such a comprehensive subject. There can be no doubt, however, that the report deals directly with the current national policies that are basic to the future supplies of our energy resources.

It is a constructive report, and the domestic oil industry found encouragement therein.

In this report the industry problems that have been causing concern among domestic producers of oil and gas were recognized as being real and not figments of the imagination.

This has long been our contention.

On the subject of oil imports, the Cabinet Committee recognized that excessive volumes could endanger the military and civilian supplies and the reserves necessary to national defense.

This would result in retarding adequate incentives for the exploration and discovery of new sources of domestic petroleum.

The Committee concluded that imports should be kept in balance with domestic crude-oil production, based on the relationship existing during 1954. The Committee further stated that it was highly desirable that this be done by voluntary, individual action of the importing companies.

Failure to do this, according to the Committee, would call for appropriate action, presumably by the Federal Government.

I believe there should be general agreement with and support of the fundamental principles of these findings. Excessive oil imports are a serious problem, affecting the economy and security of our country.

It is sound policy that a fair relationship should be maintained between imports and domestic production. This is the only way that equity can be preserved so that each may share the market and the domestic industry can continue to expand in keeping with the Nation's essential petroleum needs.

Certainly it is desirable to solve such problems by the action of freemen for the common good of a free society. I wholeheartedly support the belief that we should look to our Government for assistance only when our voluntary methods are not forthcoming.

Frankly, it is for these reasons that I am here today, only as a last resort and not by choice.

The reasons behind the domestic producers' support of congressional action to restrain oil imports may be helpful to this Committee.

When I was elected president of the Independent Petroleum Association of America in 1953, an increasing trend in oil imports were then one of the most serious threats to the future of oil production in the United States.

At that time, many oil producers believed that some solution to this problem could and should be found, short of legislative action by the Congress. I shared that belief, and for that reason undertook the job of contacting officials of importing companies and the Federal Government to explore every possible and proper course of action. I discussed the problem as it existed then and as it exists today fully with officers of each of the importing companies involving many informal conferences over a period of many months.

This was done in the hope that it would be possible to find some means of accomplishing voluntary and reasonable restraint on the volume of imported oil.

There were others in the industry who devoted their best efforts to this end during the years 1953 and 1954.

At times during the past 2 years there has been some encouragement that imports might be restrained. A few companies, however, increased their shipments of foreign oil. In some cases, contractual obligations were cited as the reason for increased imports.

In addition there was an obvious reluctance to take any action that might be interpreted as a violation of the antitrust laws.

Most important of all, the economic interests of foreign governments and the companies themselves prohibited such action.

Since my testimony before the Ways and Means Committee, and just 1 week before the release of the Cabinet Committee report, the importing companies announce their import schedules for the first half of 1955.

These company import programs, filed with the Texas Railroad Commission, reflected an added increase of 17 percent over the same period in 1954.

No such increase is in prospect for the domestic industry. Yet conversation continues about the domestic producer and the importing companies equitably sharing the increases in demand. In theory, this is logical and would be fair, but it is not functioning.

Prior to the President's request that a Cabinet Committee make such a study, industry in general has known the conditions that exist, and that now have been emphasized in the Cabinet Committee report.

It is not sufficient to say, as is said and repeated after, we need a strong and virile domestic industry without making the necessary contributions within industry to accomplish that end.

This is not being done.

These experiences have convinced me that it is impractical to prevent excessive imports by voluntary means.

We are living in a highly competitive industrial age. There is a growing surplus of world oil and foreign oil as backed up by fabulous volumes of low-cost reserves in the Middle East.

To illustrate, the proved reserves in Saudi Arabi and Kuwait are estimated as high as 200 million barrels for each producing well. That is in contrast to the average of less than 60,000 barrels per well in this country.

Such factors make the political, economic, and competitive pressures to increase imports into the United States too great to expect them to be met on a voluntary basis.

In view of these facts, I also doubt that it is sound public policy to leave such matters to the discretion of the comparatively few large oil companies who control most of the foreign oil.

To me, a graphic illustration is the fact that the 5 largest of the importing companies now have approximately 90 percent of their proven reserves in foreign countries.

We do not begrudge them the right to own these impressive reserves but in the face of these circumstances, it is not unreasonable that we, as domestic producers, use every effort at our command to preserve a place for the domestic producers of this country.

We have been forced, and reluctantly, to the conclusion that congressional action is the only method of obtaining an assured, and, most important, a lasting solution to this problem.

With regard to congressional action, a further new development just for 4 days following the Cabinet Committee report, was the introduction of a bill by Senator Neely, of West Virginia, and cosponsored by 16 other Senators, to limit oil imports to 10 percent of United States oil demands.

This bill would implement the basic principles of the Cabinet Committee report. It has the support of the Independent Petroleum Association of America, for which I speak, and 20 other associations, some of which I have named today representing oil and gas producers in this country.

I would like to emphasize that both Senator Neely's bill and the Cabinet report involve the maintenance of a reasonable and stable relationship between imported and domestic oil.

The differences are in detail or degree, not in principle. It is normal to expect such differences.

For example, the Cabinet Committee uses the year 1954 as the basis for relating imports and domestic production, while the Neely bill is based on the historical average of imports to United States oil demand during the 6-year period 1946 through 1951.

The particular base period to be used in establishing the proper place for imports is less important than the basic principle that we should not rely on imports to supply an ever-increasing share of our national oil requirements.

It is a matter of record that since 1948 the continuing increase of imports of crude petroleum and refined products has constituted an industry problem that has been recognized.

This problem was only temporarily relieved by the needs of the Korean war in 1950, and then later, the shortage of oil that developed in foreign markets as a result of the Iranian dispute in 1951.

Otherwise there has been a growing surplus of foreign oil. It is understandable that the limited foreign markets have not been able to absorb the large volumes. This has not only pushed American oil out of the world markets but has resulted in foreign oil taking an increasing share of the markets in this country.

This has resulted in corresponding restrictions and cutbacks on our domestic production.

Total imports in both 1953 and 1954 exceeded 1 million barrels daily, and when it became necessary for more and more domestic production to be shut in for lack of a market, it became increasingly clear that imports had exceeded their proper levels, and were violating the rules of equity.

In 1954, imports were at a record peak while domestic production was lower than the preceding year.

For several months in 1954, domestic production had to be curtailed by more than 300,000 barrels daily below the 1953 level, and we subsequently arrived at the position where more than two million barrels daily of efficient producing capacity was shut in for lack of market. Imports at that time failed to absorb any of the burden of these adjustments in supply.

I desire to make our position clear. Domestic oil producers in general and the Independent Petroleum Association of America in particular, recognize that oil imports have an established and proper place in our national economy and our international relations.

We do not believe in shutting off imports or disrupting foreign trade and our relations with friendly foreign countries. At the same time we feel the necessity of being realistic. Foreign trade in oil is not like foreign trade in most other commodities. Foreign oil is produced and imported by only a few large oil companies.

The accomplishments of the American petroleum industry are most impressive. It is recognized as having attained a most efficient status and as Americans, we have good cause to be proud of its record.

It is this technological and American "know-how" that has not only produced the very important oil needs of this country but is responsible for the finding of great volumes of oil in foreign countries.

The efficiency and the competition that exists between domestic producers has assured in the past our country of ample supplies of oil that has been readily available, at reasonable prices in times of peace or war.

We sincerely believe that it is important to national welfare and security that these conditions be preserved. The continued welfare of so many other industries, too numerable to name, are closely linked with the petroleum industry. Its accomplishments and advancement have contributed to human welfare, and certainly nothing could be of greater importance.

If this committee can agree with the reasoning, then it is important that the proper conditions permitting the survival of the domestic oil industry be preserved. We are convinced that it can best be accomplished by congressional action such as proposed in the bill introduced by Senator Neely.

Pending such legislation, I hope that the importing companies will exercise restraint, as recommended by the Cabinet committee, so as to correct the unjustified increases that have been scheduled for 1955.

I think in the face of this report it is reasonable to anticipate that there will be some degree of compliance and result in announced reductions in the schedules that have been filed or are to be filed.

I would like to point out to this committee, that even if this is accomplished, it offers no lasting solution and we should not let that lull us into a sense of security. Only congressional action will facilitate the establishment of a sound and permanent solution by whatever legal means the Congress deems best in the national interest.

This problem has been recognized as a matter of public concern, beyond the individual interests of importing oil companies or domestic producers. In 1953, I was present at a meeting of the National Petroleum Council when Secretary of the Interior Douglas McKay called for a voluntary reduction in oil imports corresponding to reductions as they developed in domestic production.

I wish to commend the members of the Cabinet Committee for the soundness of their findings, and to record and express appreciation for the effort, that they expended to arrive at their very objective conclusions.

The facts show that the time has come to implement these sound policies by law so that this Nation can remain strong and secure and not be dependent on sources outside of the Western Hemisphere for its essential supplies of petroleum.

The best policy to attain that objective will be the best policy for the petroleum industry, the consuming public, and all of the peoples of the free world.

I wish at this time to take this opportunity to thank the members of the committee who have patiently waited for my testimony and have given us an opportunity to be heard.

Senator SMATHERS (presiding). Thank you very much for your testimony. It will be very helpful and we appreciate your patience also in waiting.

Senator Martin, do you have any questions?

Senator MARTIN. I have no questions. I think it is a very sound statement.

Senator SMATHERS. Senator Malone.

Senator MALONE. Mr. Vaughey, I think you have made a very fine statement and probably the only statement you could make finding your industry in the situation it now finds itself.

I did not understand you to testify whether you were for or against the extension of the act as it now stands.

Mr. VAUGHEY. I intended, Senator, to make my position clear that we are endorsing and subscribe to the amendment, the Neely amendment which of course could only be passed with the extension of the Trade Agreements Act. That is correct, isn't it?

Senator MALONE. Suppose you did not get the Neely amendment, would you be for the act's extension?

Mr. VAUGHEY. Well, it is not surprising to me that you might ask me that. I would like to express it this way.

It is difficult for me to as directly answer as I might like to, that question, for this reason, and I don't mean to equivocate.

In exploring the ways and means of trying to solve our problem, it became apparent to us that this voluntary route of controlling imports in regard to which there have been statements that would lead you to believe that it is something new, something that has not yet been tried and deserves a trial, we cannot go along with that. We have been forced to the conclusion that we have to ask for congressional help and assistance.

In the belief that the probabilities were that the Trade Agreements Act would be extended for some period of time, we were confident that our best opportunity there would be to endeavor to support this amendment that Senator Neely has introduced, and by that means bring about the quota system which I believe is a specific formula that could give us the relief we need.

Senator MALONE. You have no particular objection to the act being passed if the independent oil producers are protected?

Mr. VAUGHEY. Fundamentally, I cannot disagree with many of the sentiments that you have expressed, and I as a spectator have listened to not only today but when some of the other witnesses were testifying. Fundamentally you and I are not in any disagreement as to an objective, as to where we would like to go. I do not believe, however, that in the face of all circumstances, where the administration is desirous

of extension of this Trade Agreements Act, the Democratic Party has historically been in favor of and advocated free trade and now we have many Republicans vote in that same channel, it does not seem likely to me that the extension would be likely to be defeated.

For practical reasons that is why I am taking the position that I am trying to illustrate.

Senator MALONE. As long as industry takes the position it takes, it doesn't seem possible to me that it will be defeated either.

Many industrialists and many workingmen have apparently hung on to the slim hope that their jobs and their investments are protected under the 1934 Trade Agreements Act, do you believe that?

Mr. VAUGHEY. No; there is much about the Trade Agreements Act that I personally do not subscribe to.

Senator MALONE. Do you think workingmen and small investors of this Nation are protected under it?

Mr. VAUGHEY. I think a good illustration of that perhaps is the fact that we and other industries now are already being hurt.

Senator MALONE. At the risk of being repetitious, I am going to read again what Secretary Dulles said about that.

He made a good witness. I did not get to question him and I am promised that he will be back.

This is the ninth year I have been here and I have continually tried to establish the point that we changed the principle of protecting investors and workingmen in this Nation through the 1934 Trade Agreements Act; that up to that point the duty had always presumed—some mistakes were made of course—to represent that difference, cost of production here and in the chief competitive country on each product. That is right, is it not?

Mr. VAUGHEY. Yes.

Senator MALONE. In the 1930 act it was pinpointed that the Tariff Commission on its own motion or anybody's request could hold a hearing on any product, whether it be oil or zinc or any other product and determine the difference in cost. They had no alternative.

They did not consider an international situation, influential friends or combating enemies or the different relationships in this country between the industries. They had only one criterion, fair and reasonable competition. Isn't that what you are looking for now?

Mr. VAUGHEY. Exactly.

Senator MALONE. Then they could adjust the flexible import fee to meet whatever they felt was needed. They were limited to 50 percent, which was plenty in 1930, but since that time we have had about 50 to 60 percent inflation which lowers the fixed duty to that extent. Understand that, don't you?

Mr. VAUGHEY. That is right.

Senator MALONE. Then there has been 25 percent leeway for the Executive to operate under the 1934 act and in many products, he has exercised both of them, that makes an even larger reduction, so that if the Trade Agreement Act were to expire 50 percent might not prove enough now. But that could be easily removed by the Congress and just have it on the basis of fair and reasonable competition.

But we changed the principle by the passage of the 1934 Trade Agreements Act and transferred the constitutional responsibility of the legislative branch (under art. 1, sec. 8 of the Constitution) to set

these duties and regulate foreign trade to the Executive, and gave him these additional political factors that he could consider. You understand that?

Mr. VAUGHNEY. I know that has been done.

Senator MALONE. And regardless of what the Tariff Commission might determine to be the proper place for the duty or peril point or escape clause, the President's decision is final. You understand that.

Mr. VAUGHNEY. I believe so.

Senator MALONE. He may or may not consider what the Tariff Commission or any other agency tells him. Under that.

Mr. VAUGHNEY. Yes.

Senator MALONE. A member of this committee asked Secretary Dulles, "Do you agree there is authority in the act to trade away an American payroll to serve an international purpose if it causes injury to that American payroll?" and the Secretary answered, very straightforward and honest—the first real honest witness I have ever heard on the 1934 Trade Agreements Act, "Yes, conceivably so, yes, we do a lot of other things, sir, which do a great injury to American people to serve an international purpose."

Then he goes on to say, asked further about it, "I think that is interpreted, sir. I am not a great expert on these matters to mean injury to industry as a whole but not necessarily injury to every particular concern in that business."

In other words if the petroleum industry as a whole were injured, conceivably it might apply, but we know when only a part of it was really injured economically then he says that that is not applicable.

Now, further questions were asked, and he said on whether or not it was supposed to protect domestic industry, "I do recognize," Secretary Dulles says, "That the competition, whether it is domestic or foreign"—he puts it on an equal basis—"does injure and it injures first the weaker and less economical units in industry." I suppose the independent companies being smaller would be the weaker companies in the business; would they not? They would be the first to be injured.

Mr. VAUGHNEY. Quite possibly.

Senator MALONE. I am very much interested in your testimony. There is no question—there could be no question in anybody's mind but what you are injured—the question is how to get the relief. As it stands now it is up to the President to determine solely by himself whether or not there is an injury that he should correct.

Now Mr. Vaughney, I do not know how much you have studied this whole question. I do know in 1948 I addressed one of your organizations down in San Antonio, Tex. There was a lot of competition that night but I want to say for your benefit now, I foretold what has now happened to you.

No one was listening to it because it hadn't happened yet.

Mr. VAUGHNEY. I distinctly remember your being down there.

Senator MALONE. I remember what I said, and that is—

Mr. VAUGHNEY. I do, too, Senator.

Senator MALONE. That is that you would finally come to Congress trying to get legislation to enable you to live if you kept that up, because none of you were paying any attention to anything; you were going along supporting the London bankers phrase "reciprocal trade." It was working wonderfully well.

Mr. VAUGHNEY. You may be doing an injustice to say that we all were.

Senator MALONE. I am talking about your official representation, if you do not mind.

Mr. VAUGHNEY. I don't mind.

Senator MALONE. And I want to say something about your official representative here. It has been very fine. He is one of the finest men that I know. Lots of times if you would let him alone to follow his own nose, you would be doing better.

Mr. VAUGHNEY. We have been so told before. We have a very high regard for him too, Senator.

Senator MALONE. Do you understand that trick organizations have sprung up all over the world to prey on the United States economy and its industry, upon the basis of this act and that is the only way they could. They are all very busy because we have put our markets in the pot. If we do not have our markets in the pot, there is no game. You have been through all that in the oilfields?

Mr. VAUGHNEY. Yes.

Senator MALONE. If the boy wins all the money and walks away, there is no game. But if he comes back in the game, there is a game. It is the same way in the sheep and cow catches, I might say.

This General Agreements on Tariffs and Trade in Geneva is one of the trick organizations that has sprung up with this act as a basis. There are 34 nations in it and we know that with our markets in it they are always dividing up the whole business. They work on a multilateral basis with escapes of various kinds and they all escape but us, I might say.

They have this matter in their hands now when a trade agreement is effected. Of course, they are not really trade agreements at all. They are agreements to lower tariffs on certain products here and in that particular country.

Then we also have the most-favored-nation clause so that every nation in the world has the same advantage as the nation with which the trade agreement is made, and often they make a trade agreement with a nation that is comparatively a light producer of the product, so it does not attract much attention; then the most-favored-nation clause makes it applicable to all nations. That is another trick.

GATT is waiting there now ready to proceed if our markets stay in the pot. If this act is not extended, our markets are withdrawn from the pot, and we go back to the 1930 Tariff Act on the basis of fair and reasonable competition. Any agreements that are already made remain in effect until the President himself cancels them, then they revert to the Tariff Commission.

But the first step to get back to sanity in this market business is to let this act expire.

The U. N. Assembly passed a resolution not long ago creating another worldwide organization to complete the division of the markets of this Nation with the nations of the world.

Several of these trick organizations have mentioned the basis of "entitlements of consumption."

That is not quite clear to a southerner or westerner. Trying to think it through, it can only mean on the basis of population.

The International Trade Organization was presented here, based on all this business, and this Congress turned it down.

Immediately the State Department formed an International Materials Conference to do the same thing and went right ahead, right on the basis as testified by Secretary Dulles, and I do want him to come back for one reason, so I can commend him on his straightforward testimony.

You have an amendment here which you are for, introduced by Mr. Neely for whom I have a high regard, that takes a swing at all industries that are necessary for national defense in a simple statement and then goes on and figures 10 percent for petroleum, but nothing for anyone else.

It just simply says that they may consider all of the industries. It doesn't say in what regard. Now in Senate bill 400—

Mr. VAUGHY. May I interrupt you?

Senator MALONE. Yes.

Mr. VAUGHY. I was very much interested in the exchange that you and Senator Daniel had on that point.

In my thinking I do not believe that in subscribing to that amendment which specifically mentions petroleum, I don't think really that we are just taking care of ourselves.

I think that petroleum covers such a broad phase of American life that a great many people are affected by it other than those engaged in the petroleum business, so many other industries are so closely interrelated, so many people are dependent upon it for their comfort and their welfare in science and the professions that I don't feel that we are speaking of it, we are just taking care of only one commodity in so doing. Of course most important, I would be the last one to be out there waving the flag if I didn't believe that it literally was in the interest of national defense.

I recognize that what you said this morning that there perhaps are some commodities that might be endeavoring to duck under that umbrella, under the guise of it being essential to national defense.

Fortunately we don't have to do that and I know there is no difference in your thinking and in mine on that. But we do know that petroleum and the byproducts of petroleum have been critically needed in the past and they are essential and will always be essential to our national defense.

Senator MALONE. I think you are exactly right and you are a little closer to this.

But I will name a few that maybe you will recognize.

Your zinc, your lead, your vanadium, and your tungsten.

There are 77. I will not mention all of them, but I will see that you are furnished a copy of the report so that you will see immediately that you could not defend this country at all without them. You can't any more do without them than without petroleum.

Mr. VAUGHY. Certainly there are others.

Senator MALONE. Manganese. That has suffered the same way. It is relatively so small in regard to petroleum. It is not a bulky product. About 13 pounds of it to a ton of steel.

You can't make a pound of steel without it and we get now about half our consumption annually from India as a result of this 1934 Trade Agreements Act. And you could not get a pound of it after the war started. That is probably what Harry Dexter White had in mind when he wanted us to loan \$10 billion to Russia.

His letter is in here and the Secretary's letter to the President and the President's announcement to the public—if we had loaned that \$10 billion and closed up our business here, kept the oil in the ground like Mr. Ickes always wanted to do, saved the manganese and saved the tungsten, all of which we have more known reserves now than we have ever had, of course we would be entirely dependent on Russia now. So all they would have to do is to stop the supplies coming in and whip us easily.

I want to say to you further, Mr. Vaughney, I like your looks and the way you operate and the way you talk. I have been watching this thing for a long time—I watched this brought in at the end of World War I by Mr. Wilson because he said we had to defend Europe, Asia, and Africa to get these critical materials. That was as phony as a \$3 bill.

But we fought three wars for that reason. He also said if Germany controlled Europe, we are next. Well, we destroyed Germany and we built up somebody else. Of course that was a phony one. We live by catchwords and phrases. We are living by them now. That is all I am trying to bring out in this cross-examination. I have been here on the average of about 8 to 9 hours a day now for a couple of weeks and I intend to stay just as long as anybody will talk because I consider the extension of the Trade Agreements Act is the most dangerous thing there is not only to the economy of this country but to the national defense and the workingmen of this country and the small investor.

It doesn't hurt a large investor who can invest in foreign nations and import the stuff here, but when the showdown comes he will be destroyed with the rest of us.

Mr. VAUGHNEY. I recognize your objection to the word reciprocal because it is a misnomer. It does not belong in there and it does not work that way. It is a one-way street and we in the petroleum industry are feeling the lash of it.

Senator MALONE. Of course you know according to Mr. Dulles' testimony nobody ever said that the topmost objective was reciprocal trade. The top objective was to save these other countries economically. His testimony is very fine. It will do you good to read it when you get around to it.

Mr. VAUGHNEY. If I might say so, that part of what you are saying there does have application to our problem or the things that have caused our problem to exist as it does today and that is that the few companies, comparatively few companies, that own most of these foreign reserves, are incorporated under our laws and of course are domiciled in the United States. In obtaining these foreign concessions, the problem is different from buying a commercial lease in the United States from a landowner or farmer. In order to get these concessions they have had to make some pretty long deals to the point of including the Government from whom they get that concession. The Government retains an interest in the oil produced and sold from that property, so there is a double incentive.

That foreign government is being benefited by the sale of that oil. That oil is also being produced at a price and being brought into this country in quantities that we can't hope to compete with.

So it is an unnatural and an unreal thing. It can't continue. And when they talk to me now about continuing the voluntary program

and giving the program a trial as though this has not been done before, I think it is time to call a halt and take off the kid gloves and call a spade a spade.

Senator MALONE. You are exactly correct. Mr. Holman testified here. That is not the first time a committee of Congress has heard it but it is the first time I heard it in this committee. A witness from a subsidiary of Standard Oil of New Jersey testified before the Minerals, Materials, and the Fuel Economic Subcommittee of the Insular Affairs Committee that they should be allowed no duty or quota, as my amendment to the 1930 act had implied but that they should be allowed to determine voluntarily what was good for the country, how much should be imported, and how much should be produced here. I thought he was joking at first.

I said wouldn't that be fine if we just extend that to all other importers of foreign products, this would be an additional incentive for our big producers to go to foreign countries, Europe, Asia, or go anyplace besides here and invest their money and put domestic industry out of business.

We have before this committee a bill that would lower the income tax 14 percent if you had it invested in another nation away from this country.

That will be before Congress in just a little while and we are seriously considering those things.

So it could be that in 15 or 20 of your companies together, you could go over there with them, join them.

Mr. VAUGHY. That's another thing. When they talk about voluntary controls, even if you in a utopian way, you were of the opinion that you could get all the importers as they now exist to agree to the volume that should be brought in it still doesn't preclude the potential importer, the fellow who is not yet an importer but who is aspiring to be.

A great many don't import only because they don't have the material to import. Those fellows have a distinct tax advantage. They can deduct the taxes paid to the countries where they produce the oil before they bring it over here.

Senator MALONE. This committee found a coincidence, that the amount of money that was deducted abroad in depletion and other deductions to be exactly equal to the tax due to this country so we did not get any tax.

Mr. VAUGHY. That depletion that you mentioned several times this morning, you know that that was created for a constructive purpose and has worked very successfully over a quarter of a century in creating the tax incentive that will permit people with venture capital to go out and look for oil and gas.

Not only has the fellow fortunate enough to have this benefited by this but the public in general has.

Senator MALONE. That is right. In the safety and economic structure of the Nation.

Mr. VAUGHY. That should not be passed on in my judgment to these foreign operations.

Senator MALONE. As a matter of fact in the mineral depletion allowance that we raised from 15 to 23 percent, we confined that additional 15 and 23 percent depletion allowance to the United States, and I am

inclined to agree with you that perhaps it ought to be reexamined on that basis.

There are two bills before this committee S. 400, S. 404. One is exactly like the Neely bill except it takes in all critical and strategic materials and states exactly how to determine the tariff.

In the first place the tariff would be determined on the basis of fair and reasonable competition, but using the landed duty paid price in the absence of better evidence.

And then there is a provision, skipping several of the provisions which will be in the record:

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, for such periods, as it finds necessary in order to effectuate the purposes of this Act.

The bill S. 404 is exactly like this bill except 400 is limited to strategic and critical materials.

S. 404 applies to every article in the United States and would continue the basis of fair and reasonable competition on every article produced in the United States.

Of course you understand that 50 to 60 percent of the articles never have had a duty, but whenever we produce any considerable quantity the Tariff Commission can, under this bill, take it away from free trade or put it on the list where tariff duty is charged, and will do for every product in the United States just what you propose to do here with the Neely amendment, except they have no leeway.

They can do it with the duty. They can also do it with the quantitative limits, import quotas.

Wouldn't you rather consider a bill that would take into consideration the economic structure of this Nation? If you were to get out of the oil business, or your son wanted to go into some other business, he could then say to you: "You can furnish me some capital. This is the law. This is the principle laid down by Congress. I cannot be hurt by foreign imports. I only have to consider getting my business competing with domestic investors and producers."

Wouldn't you favor some approach like that?

Mr. VAUGHNEY. Senator, I would have no disagreement at all with that approach. I want to try to make my record clear before I leave that, and that is this, that in endorsing the Neely amendment, as our association and these other associations have done, we have done that for sake of expediency, but more than expediency. Senator Daniel touched upon it this morning. The quota route would give us a specific formula that we know we could at the present time live within, because historically we have lived within that percentage in the past.

Now there is a question in my own mind—and this does not discredit your tariff theory at all—because I think fundamentally it is sound.

There is a question in my own mind that exists as to whether or not by the tariff route if we were able to go that way now, it would be possible to obtain a sufficient tariff to give the domestic petroleum industry the protection that is necessary if we are to survive.

I say that because of some of the dramatic figures that were used here this morning illustrating the wide difference in cost between the financing and producing of that oil over there as against our domestic production.

Senator MALONE. Now, Mr. Vaughey, this same amendment has in it the paragraph I read which is almost exactly like your own, except it doesn't set the 10 percent, and you admit yourself you don't know whether it ought to be 10 or 9 or 12.

Mr. VAUGHHEY. It is not quite that way.

Senator MALONE. Explain how you know.

Mr. VAUGHHEY. Understand—

Senator MALONE. Any restriction will help.

But how do you know what is right?

Mr. VAUGHHEY. I think it might be interesting to attempt to explain to you and for the benefit of anyone else who might be interested that 10 percent is not just an arbitrary figure picked out of the air. That is a historical average that prior to the time we found ourselves in difficulty we were living with. For that reason we have used that 10 percent. I don't mean that that necessarily would be right for all times.

(Discussion off the record.)

Mr. VAUGHHEY. I will finish that statement by saying that I am not attempting to represent that for all time to come that that percentage necessarily would be the percentage that we would have to maintain.

It would be subject to adjustment.

Senator MALONE. Then you do make a weak effort there to allow the Executive to determine how much ought to come in if it should change. My point to you is going to be this, that no tariff or no quantity can be fixed for the future because the economic measuring of the economy between the countries, the chief competitive country and this country, changes continually and the proportion of production in every material in the United States can change on a basis of business, so that what is right today may not be right in 6 months or a year. But if you leave it to a Tariff Commission that knows exactly what they are to do when it is set down in the law, they have a specific order to do it and they know how to do it.

It is like the Interstate Commerce Commission. Years ago—maybe you are not quite old enough to remember it, but I do. I remember all these jokers clear back to Mr. Woodrow Wilson when he put us in a war because we did not have critical materials in the Western Hemisphere.

For a while he kept us out of war. Somebody elected him. I didn't vote for him, but somebody did. When he had been elected 6 months I was on the way to France with a battery of field artillery.

We had three wars on that basis. So we learn the hard way. But for the present if the people of this country understood it 98 percent of them would be against this act. But they don't understand it. If you lay down a principle to a Tariff Commission that knows how to do the work, the situation changes and they can hold hearings and change it.

This tariff-fixing setup doesn't come back to Congress in congressional committees, except if a special bill is introduced. Under the 1930 Tariff Act nothing comes back to this committee unless it comes back to Congress, and then to this committee and the Ways and Means Committee of the House, then they can consider it. They can't consider it as an all-over tariff bill. They quit doing that because they saw it had to be done on a principle.

It is done on a principle, suppose that in 6 months or a year the situation changed. The Tariff Commission can hold hearings, and change it on the basis of fair and reasonable competition, not on the basis of buying some Nation's loyalty in Europe, Asia, or Africa or in trying to arrange a better situation between agriculture and manufacturing and mining in this country.

The latter is what this 1934 Trade Agreements Act says. It injects all this business into it. If you get this act extended with your amendment in it it will still be in the hands of the State Department and the GATT, General Agreement on Trade and Tariffs, the Assembly organization U. N., International Materials Conference, and all these trick organizations that are working while you sleep.

But if you don't extend it they fall on their face. I am sure, understanding you and your method of doing business, you would prefer that they do pass out of the picture, wouldn't you?

Mr. VAUGHY. I would. I have no fault with your philosophy or your reasoning or your objective.

If you can accomplish it, why more power to you.

Senator MALONE. I can't do it alone. I have to have some help from the industry.

Mr. VAUGHY. I recognize that you can't do it alone.

Senator MALONE. If the businessmen of this country, the workingmen, and the investors of this country would stand up and be counted, it would not last 10 minutes. But if they don't stand up and be counted they will be strangled from now on, and I predict for you not a very prosperous future under it, regardless of whether you are able to apparently save yourself by coming in here and if you get your amendment, of which I am very doubtful.

Do you have any further statement?

Mr. VAUGHY. I don't have any further statement except that I don't like your last line that our only interest is saving myself.

Senator MALONE. I did not say that. If I said that I want to change it. I said you are coming in here saving ourselves and doing nothing else.

Mr. VAUGHY. There is no disagreement then. We are coming in here trying to save ourselves. We have had a big enough problem on our own hands that perhaps it is temerity that causes us to think that maybe we can do much more than fight for ourselves at the moment.

It will not preclude us from giving you or someone like you support on something you are trying to do on down the line if this fails.

Senator MALONE. The textile industry, the crockery industry, the mineral industry—there are so many minerals—the machine-tool industry, there are 56,000 products in there, all are affected by this act and the objective was to affect them when this thing was passed. It followed by less than a year the political approach to destroy this Nation and that was the recognition of Communist Russia without any safeguards whatever.

In less than a year an act was passed that would allow one man to destroy any industry in this country and remake the industrial map of the country. The economic approach to destroy, and that is just about it. I guess you will agree with that.

Mr. VAUGHY. It is these inroads that have us alarmed and concerned.

Senator MALONE. Does it hurt you?

Mr. VAUGHNEY. Certainly has hurt.

Senator MALONE. How long do you think you can last under it if they just continue to increase imports?

Mr. VAUGHNEY. It is a matter of speculation. I will quote Senator Daniel again because he expressed a thought that I have had so many times myself. It isn't a question of only being alarmed at the degree to which we have already suffered but it is our apprehension about the future, because if we are hurt now what can be in store for us could make this look a penny ante.

Senator MALONE. I understood him to say you are down to 18 days production in Texas.

Mr. VAUGHNEY. Yes.

Senator MALONE. 18 days out of 30 days—

Mr. VAUGHNEY. It doesn't sound very reasonable when they have the productive capacity and can and are able to produce it.

Senator MALONE. A major company that is producing in Texas and producing in Saudi Arabia can show an overall profit.

Mr. VAUGHNEY. They have a distinct advantage.

Senator MALONE. They can write off the losses in this country from the profit in the other country.

Mr. VAUGHNEY. Of course, Senator, that is why the voluntary route has not any more chance than the proverbial snowball of succeeding.

They do have—and I don't find fault with them for having—more than a mild interest in making it back. They can make money by bringing in that foreign crude into the east coast, more than we can make by producing in the Western States.

That is why you can't solve that except by legislation.

Senator MALONE. Would you agree that the 1930 Tariff Act that would include all the national-defense products, and on a definite method of doing it, should be superior to the Neely bill which gives lipservice to all of them and then definitely tells how to fix one.

Mr. VAUGHNEY. I think that would be a constructive move.

Senator MALONE. Suppose you had the same bill apply to all products on the basis of fair and reasonable competition, understanding that 50 to 60 percent of all products have never been under a tariff and probably never will be and only will be if they have substantial production in this Nation. Wouldn't that even be better?

Mr. VAUGHNEY. I certainly would not begrudge any other commodity or any other industry the same thing that we are asking for.

Senator MALONE. I am going to make one final observation; the reason you are all getting whipped and have been for 20 years is because you have not gotten together on a principle. I am friendly to you.

Mr. VAUGHNEY. I know you are.

Senator MALONE. I addressed your organization. I went to Chicago and addressed the American Petroleum Association.

Mr. VAUGHNEY. I would like to have you back some time, too.

Senator MALONE. I know what that takes because we have one lone oil producer, one lone oil well in our State of Nevada.

They are drilling very liberally out there and I suppose writing it off under the depletion allowance, and many geologists now say that it is practical, although they used to say you could not possibly get an oil well in a volcanic area.

As long as they found them in volcanic areas in Utah and other places they say there is a great possibility of substantial oil production in the State of Nevada and all through that mountain country.

I hope so. But whether we do find it or not, what I believe about your industry is not only the necessity of it in national defense but that it is a substantial part of our economy, and when you put a \$15 or \$18 a day oil worker out of business by competition from foreign countries, you are putting a man out of business that probably already owns an automobile and a radio, if he is married and he has a family, and his house is well furnished and he is living well and his kids are going to school. But you are destroying, you are really destroying, the ability of this country not only to defend itself but to hold its standard of living, which is just as important in the long run, and if we go down that way, we will probably end up with the kind of a Government we think we are fighting.

That is one of the objectives—to destroy us economically. So I am sympathetic with you.

I know every member on this committee is sympathetic. But don't you think sometime we will have to face it?

Mr. VAUGHNEY. Yes; I do.

Senator MALONE (presiding). Thank you.

This committee will stand adjourned until 10 o'clock tomorrow morning and the list of witnesses will be furnished anyone upon inquiry.

(The following statement was inserted in the record on March 17, 1955, by Senator Frank Carlson:)

STATEMENT OF ROBERT L. WILLIAMS, REPRESENTING THE KANSAS INDEPENDENT OIL AND GAS ASSOCIATION

My name is Robert L. Williams. I am an independent oil producer of Wichita, Kans., and I submit this statement as a representative of several thousand independent oil producers and small investors in the Kansas crude-oil industry who are dependent upon a demand for a sufficient quantity of domestic crude-oil production which will permit them to continue their operations and investments on a reasonably profitable basis.

The oil and gas industry is the second ranking industry in Kansas, exceeded in dollar volume only by agriculture. Kansas is the fifth ranking oil producing State in the Nation—exceeded in daily production only by Texas, California, Louisiana, and Oklahoma. Thus, the future of the Kansas oil industry is important, not only to the State of Kansas, but to the economy and safety of the Nation as a whole.

I wish to recall to your attention the chart submitted in the record to this committee on Friday, March 11, by Mr. Eugene Holman, chairman of the board, Standard Oil Co. of New Jersey, which graphically portrays the static position of Kansas oil production for the past 8 years at approximately 100 million barrels per year. This chart does not disclose that national consumption of crude oil has increased more than 40 percent during this same period, nor that unrestricted imports of foreign oil have increased by 140 percent. Obviously, then, our Kansas proration department has been unable to increase the allowable rate of crude oil production in the State during these past several years as imported oil has acquired the market created by the expanding national consumption.

The Kansas per-well allowables have already been reduced to an irreducible minimum allowable (barring another complete shutdown similar to October 1953) of 25 barrels daily, which does not permit the small producers and small investors sufficient profit margin to adequately expand their exploratory operations in the search for new oil reserves, nor does it encourage the development of known oil reserves.

If imports of foreign oil are restricted by congressional action, thus eliminating a portion of this unfair competition, Kansas would receive a share of the accumulative increased domestic demand for crude oil over the past several years and also a part of any increase or decrease in future national demand.

The subsequent increased allowable rate for the Kansas wells would then permit the small independent producers to initiate more aggressive exploratory programs which would contribute to the economy of Kansas and make available more of the State's oil resources in peace or war. This would be in the best interests of the national economy and national defense.

Conversely, if imports of foreign oils are not restricted by quotas imposed by Congress, the small independent producers of Kansas, who in the past have discovered the preponderance of new oil fields in the State, will be faced with the danger of ever-increasing imports of foreign oil, and our State's allowable production must necessarily be reduced. Only the major oil companies, particularly the five large importing companies who also produce substantial quantities of oil in our State from oilfields usually discovered by an independent producer, and possibly the larger and stronger independent companies, could well survive such a condition of a further reduction in allowable production. The small producers, who must be relied upon to discover the largest percentage of this Nation's future oil reserves, many of whom are already burdened with financial arrangements that require minimum monthly payments from their crude oil runs, would not be in a healthy position to risk capital in the search for new oilfields or develop their proven fields.

It becomes readily obvious that congressional action in imposing quotas on imports of foreign oils is both desirable and necessary in the interests of the national economy and national defense.

(Whereupon at 1 : 35 p. m., the hearing was adjourned.)

TRADE AGREEMENTS EXTENSION

WEDNESDAY, MARCH 16, 1955

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 Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, George, Kerr, Martin, Malone, Carlson, Bennett, and Johnson (Texas).

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

Mr. Max Berkowitz, Director of the National Authority for the Ladies' Handbag Industry, who was scheduled to appear today, is ill. In lieu of his personal appearance his written statement will be placed in the record at this point.

(The statement is as follows:)

STATEMENT MADE BY MAX BERKOWITZ, DIRECTOR, NATIONAL AUTHORITY FOR THE LADIES' HANDBAG INDUSTRY

Mr. Chairman and gentlemen, my name is Max Berkowitz, I am the director of the National Authority for the Ladies' Handbag Industry, a national trade association comprising 225 manufacturers of ladies' handbags.

I would be remiss if I did not at once state that further reduction of tariff rates on handbags would cause irreparable harm and undue hardship to an ailing industry. I want to be thoroughly realistic and advise you in the most forceful and forthright way that I know—that the handbag industry lives in constant fear and dread of imported handbags and that nothing should be done to aggravate or intensify a very sensitive and dangerous area.

In a written statement, previously submitted, which I trust you will have an opportunity to read, we reviewed the factual and statistical data concerning the handbag industry. It is unthinkable to us that in the light of the substantial tariff rate reductions already effected, and the increased imports of handbags coming into this country, that there be any legislation which could consider any further reduction, however slight.

The rate of duty on baskets and bags made of bamboo and wood is 50 percent. In 1943, as a result of a trade agreement with Mexico, they were reduced to 25 percent. However, on January 1, 1951, United States terminated the trade agreement with Mexico on bamboo and wood baskets and bags and restored the duty to 50 percent.

In 1953, we imported 9,026,000 bamboo baskets and bags valued at \$975,000 and 14,395,000 wood baskets and bags valued at \$1,733,000. Taking the bamboo and wood combined, we imported 23,421,000 units. This was at the 50 percent rate of duty. Let us compare these figures with the 1949 statistics when the rate of duty was 25 percent. In 1949, we imported 5,265,000 bamboo baskets and bags valued at \$493,000 and 14,688,000 wood baskets and bags valued at \$505,000; or a combined total of 19,953,000 units. In other words, even though the rate of duty was 50 percent in 1953, we imported over 3 million more units than we did in 1949 when the rate was 25 percent.

In the last 4 years a good part of these bamboo and wood baskets and bags have been used as handbags. We have no way of knowing how many because there is no segregation by types or kinds. But we do know a substantial number are handbags and are very popular, and more widely used each spring and summer.

Everyone of these bags displaces a handbag that would have been manufactured in this country. Formerly, the domestic industry manufactured white handbags, and pastel shades, and novelty handbags for the spring and summer selling seasons. With the advent of the bamboo, straw, and wood baskets and bags, the domestic manufacture of whites and pastels are down to an insignificant quantity.

We would like to note that of the 14 million wood baskets and bags imported in 1953, over 8 million units came from Japan. It is staggering to think what might be expected if there were to be even the slightest reduction of the 50-percent rate of duty.

The rate of duty on leather handbags is 20 percent. The rate of duty on reptile handbags is 17½ percent, with Cuba having a preferential rate of 14 percent. In 1938, the rate of duty on leather and reptile handbags was 35 percent. Since 1939, both of these commodities have been reduced—reptile handbags, a 50 percent reduction—leather handbags, a 43 percent reduction.

We honestly, sincerely, and frankly believe this is rockbottom. We dislike being pessimistic, we hate to be a prophet of doom—but stark realism dictates we can only come to one conclusion—the bankruptcy of the domestic handbag industry, should there be any reduction, however slight.

The handbag industry in the past few years has been in the throes of a depression. There are many insolvencies, there is much unemployment, and undercapitalization is most common. Many a firm is hanging on by a thin thread, one step removed from bankruptcy, only because the creditors appreciate this drastic step results in great loss to all concerned.

In a large measure imports of handbags is responsible for this deplorable condition. Unquestionably, the excise tax on handbags has been a contributing factor. But it is the imports, and the imports alone, which create a paralyzing fear that strikes the very foundation of the handbag industry. This fear, psychological in part, is mostly founded in fact.

When a handbag buyer of a large buying office or retail store tells a handbag manufacturer, he is going abroad to buy handbags and that domestic commitments will have to await his return, this is real cause for concern. With the import statistics of leather and reptile handbags showing a definite steady increase from \$749,000 worth in 1949 to \$3,389,000 at import value in 1953—this is more than something psychological to worry about. When you consider the French handbag manufacturer gets an 80 percent rebate on social charges on handbags shipped to the United States—this is a decided advantage that undermines the domestic manufacturer. In addition, and of great significance, is the fact that the French, the Italian, the Cuban, and other foreign employees receive considerably less than the American handbag workers, both as take-home pay and fringe benefits.

The New York State, Department of Labor, Market Review for October 1954 shows that the average weekly earnings of production workers in the handbag industry in New York City for August 1954 was \$51.11 for an average week of 36 hours. This does not include the fringe benefits, which adds at least 10 percent more to this average wage. How does this compare with employees in the foreign handbag industries? The information we have is that in England the average wage is \$25; in France, \$20; in German, \$21; in Italy, \$35; and in Cuba, \$15 for a workweek of 48 hours.

Is all of this frightening to the American handbag manufacturer?

We have not entered into the broad general considerations of foreign economic policy. Frankly, the economic and political overtones are beyond us and we, therefore, have left this field to the experts and economists who have appeared before you.

But what we do consider ourselves expert on, is the effect tariff rates have on the handbag industry. We are certain that any reduction of rate would undermine the domestic industry and jeopardize the livelihood of some 20,000 Americans. This should not be taken lightly.

The ladies' handbag industry in the United States most earnestly requests the Government not to lower tariff rates on handbags. Further reduction would mean a flood of imports, at a time when the economic health of the industry is weak and very susceptible and sensitive to the slightest change.

We, therefore, suggest that H. R. 1 be amended to contain a list of commodities which would be excepted from future tariff-rate reduction; that, on this list handbags be included, among other commodities which have reached a point below which no further reduction could be made.

We strongly urge your serious and favorable consideration of our proposal.

Senator JOHNSON. Mr. Chairman, during the course of our hearing on the proposal to set a quota for imports of oil into the United States, three of my constituents were unable to make their statements orally for the record because prior witnesses ran beyond their expected time.

I was not then present at the committee hearing because of the necessity of my being on the floor of the Senate. In view of this fact, I wish now to submit the statements prepared by these constituents and to ask that they be incorporated in the printed report of the hearing at the appropriate point in the testimony regarding oil imports.

The statements are by H. P. Nichols of the East Texas Oil Association, Robert L. Foree of the Texas Independent Producers & Royalty Owners Association, and R. M. Wagstaff of the West Central Texas Oil & Gas Association.

STATEMENT OF H. P. NICHOLS, EXECUTIVE VICE PRESIDENT, EAST TEXAS OIL ASSOCIATION

(This statement was to have been presented by Mr. E. J. McCurdy, Jr., of Fort Worth, Tex., president of the East Texas Oil Association, but his health prevented his appearance. Mr. McCurdy operates extensively in Texas, Oklahoma, and New Mexico).

My name is H. P. Nichols.

I am a resident of Tyler, Tex. I am speaking for the East Texas Oil Association, of which I am executive vice president, and for myself as a producer and royalty owner in several counties in Texas.

I am, and have been, in the drilling or producing segments of the oil business for more than half a century. I have never been in any other business. My experience is actual, not superficial. I gained my knowledge of drilling and producing in various oilfields of Ohio, West Virginia, Pennsylvania, Illinois, Kansas, California, Louisiana, Oklahoma, and Texas.

I feel that I am qualified to answer any question this committee may ask regarding drilling and producing oil.

Domestic oil producers can go along with the Cabinet committee's suggestion—and I believe we could live happily with it—provided it specifically limited imports of foreign oil to 10 percent of the United States demand for crude oil and products.

I never question the integrity of any man, but in business matters I insist that any agreement be reduced to writing. A written contract leaves no loophole or question for a faulty or a convenient memory. I hope this committee will agree with me and specify that imports be limited to 10 percent of the domestic demand in 1954.

While I was not present to hear the evidence of other witnesses, I am reasonably certain some one or more of them would have you believe that United States reserves are not adequate to supply our needs for a long period of years.

On the question of reserves, let us turn back the pages of history: Following World War I, it was said, "We floated to victory on a sea of oil."

On December 31, 1953, our reserves were 29 billion barrels. I have not seen estimates for 1954, but, considering new fields recently developed, it is safe to say our reserves are about 34 billion barrels of this date and this figure is exclusive of the Rocky Mountain area.

The Rocky Mountain area takes in parts of 11 States: Colorado, Wyoming, western Nebraska, Montana, North Dakota, South Dakota, Utah, Arizona, Idaho, Nevada, and northern New Mexico.

The United States Geological Survey in speaking of the Rocky Mountain area States: " * * * this region offers the greatest potential future oil source in this country's continental limits."

It is my opinion the Rocky Mountain area could within 2 or 3 years add 5 billion barrels to United States reserves.

That area in 1954 drilled over 4,300 wells, or more than one-third of the number drilled in Texas. Excessive imports will seriously retard the development of this vast new oil area.

The tidelands doubtless carry a large reserve, but since a small depth bomb dropped on or near these wells would destroy them, I have not considered that area in estimating reserves.

Oil tankers and offshore wells are easy targets for Russia's 300 submarines. Inland wells are not subject to submarines.

If this committee is deeply concerned with ample oil for one or more global wars, it must see to it that domestic production is not supplanted by foreign imports.

During the early days of World War II, there was a slight temporary need of additional refining capacity, but certainly there was ample crude oil.

Please remember that oil and gas furnish the elements that go into the manufacture of synthetic rubber, another important commodity in war, or peace.

Give the domestic oil producers ample casing and they can furnish crude oil to meet any future demand. But this committee must see to it that the domestic industry is kept in a healthy condition. You cannot develop an oil field over night—it takes several years.

Russia undoubtedly has an atomic or hydrogen bomb, and 4 or 5 of these bombs dropped at strategic points in the oil fields and facilities of Iran, Iraq, or Saudi Arabia would eliminate oil from that source.

I am told that under the present setup, crude oil produced in foreign countries can be brought into the United States duty-free under bond, refined here, and the refined products exported duty-free to all the world in competition with domestic refined oils.

Trade treaties are fine in theory, but how much prosperity do they bring to the native population of those foreign countries is an important question for this committee to determine?

STATEMENT OF R. L. FOREE, TEXAS INDEPENDENT PRODUCERS AND ROYALTY OWNERS ASSOCIATION, AUSTIN, TEX.

Mr. Chairman, gentlemen of the committee, I am R. L. Foree of Dallas, Tex., an independent oil producer, representing the Texas Independent Producers and Royalty Owners Association, an industry trade association comprising more than 4,000 independent producers and royalty owners of petroleum and natural gas in the State of Texas.

By way of qualification, I am a past president of that association, and during the year 1952 served as Director of Production of the Petroleum Administration for Defense.

We of TIPRO have joined with other organizations representing domestic oil independents, including the Independent Petroleum Association of America, in urging that legislative action be taken without further delay to restore to domestic producers their historic right to share fairly in the domestic market for petroleum. Specifically, we recommend adoption of the amendment to H. R. 1 proposed by Senator Neely and others which would have the effect of restricting oil imports to 10 percent of domestic demand. It is our belief that this will allow for our importing companies a United States market for foreign-produced oil which under foreseeable circumstances could be said fully adequate to supplement domestic output and which might be essential in preserving their foreign holdings. At the same time, under a 10-percent limitation, oil could be said to be contributing more than its share toward the objective of expanding world trade through liberal importation policies.

In the light of past performance of the oil importing companies, it seems to us imperative that the Congress now assume the responsibility for assuring that a domestic industry so vital to our Nation's security and economy not be rendered inadequate to meet national requirements through excessive imports. That has been the historic right of American industries, particularly strategic ones. Few if any thinking citizens advocate, in today's protectionist world, the abandonment of all tariffs and quotas. We continue to recognize it as a principle from which this and other industrial nations have never deviated.

On petroleum we recognize that principle through a tariff today, but one rendered inadequate by circumstances. Because of the growing world oil sur-

plus, particularly abroad, the domestic oil industry stands in jeopardy of its very life from increasingly excessive imports.

Either America should abandon altogether its protective devices against excessive imports, which is unthinkable, or it should affirm the policy of reasonable enlightened self-interest. The branch of Government charged by the Constitution with this responsibility is Congress.

Significantly, recent executive department studies confirm the danger of excessive oil from abroad. The record seems to show unmistakably that imports cannot be held within supplemental levels without legislative direction, however much some importing companies may desire to adhere to such a policy. An extension of the so-called Reciprocal Trade Agreement Act without providing some legislative limitation on oil imports could, and very probably would, cost this Nation its self-sufficiency in petroleum. It could, moreover, undermine our entire security program and seriously injure our national economy.

UNITED STATES TARIFF HISTORY

I am asking permission to file with the committee for incorporation into the record the portion of my testimony which follows. It constitutes our attempt, in the fewest possible words, to show that there is no sound basis for the common assumption that this or any other nation is committed to a course of freer trade today. That lower tariffs and reductions of other trade barriers have been our national direction through much of the past two decades, ostensibly under the so-called reciprocal trade-agreements program, in no sense establishes an irresistible trend—or makes such course sound for the future. Nothing so far done contradicts the ages-old practice of regulating foreign trade according to the economic interests of individual nations.

We are not here advocating the abolishment of the program under which our tariffs have been lowered in recent years, but rather to bring it up to date—to make it serve the net national interest in periods of goods oversupply as well as in abnormal war-prosperity years.

Without major exception, the United States has moved in the direction of so-called free trade in periods of abnormal prosperity, only to return to the international practice of reasonable protectionism for vital home enterprise upon the return of economic normalcy. It is this fact which we submit explains the near revolt of Members of the House of Representatives on H. R. 1. Congressmen, being properly sensitive to the needs of America's large- and small-business men, understand even if some others do not the need for protecting domestic businesses against imports.

Tariffs, a term used here to mean quotas and other protective measures, are nothing more nor less than economic weapons which nations employ to ward off excessive damage to home industries resulting from overproduction in relation to effective demand. Tariffs neither originate nor contribute measurably to the forces which bring about a contraction of productive capacity. Consequently the abolition of tariff protectionism—particularly if it is done on a unilateral basis by one nation in a protectionist world—can do nothing to solve the problem of relative oversupply from which tariffs result in the first place.

To gain the perspective necessary to a proper evaluation of our so-called movement away from tariff protectionism, it is necessary to sketch briefly the entire tariff history of this Nation. In every period of relative prosperity, intelligent men have declared that free trade is inevitable.

For example, President McKinley declared at Buffalo 54 years ago: "The period of exclusiveness is past. The expansion of our trade is the pressing problem * * * Reciprocity treaties are in harmony with the spirit of the times * * * Isolation is no longer possible or desirable. God and man have linked the nations together. No nation can longer be indifferent to any other * * * A system which provides a mutual exchange of commodities is manifestly essential to the continued healthful growth of our export trade. We must not repose in fancied security that we can forever sell everything and buy little or nothing."

This is the same McKinley who, a decade earlier, fought successfully as a Congressman for the McKinley Tariff Act of 1890, fixing duties at approximately 49.5 percent of value, and who called a special session after his election to the Presidency to rush through the Dingley Tariff of 1897, raising tariffs still higher. On this program for halting recession through high tariffs, he rode triumphantly into the White House to "rescue the Nation" from the freetraders. In the prosperous years which followed he, like most Americans, simply lost his enthusiasm for the tariffs without which there could have been no prosperity.

The fact is that low tariffs do serve the Nation best in periods of inflation, and it is this which accounts for the lack of opposition to this trend in war prosperity. Our tariff cutting program of the past decade has only now begun to run contrary to the national interest. A tariff policy which serves well in years of abnormal prosperity may be disastrous in more normal periods, especially if one nation attempts through low tariffs to absorb world goods surpluses without reciprocity on the part of others.

Those who regard free trade as our national direction and tariff protectionism as implausible, a position taken today by many of all viewpoints, should recall that our tariffs date back to the earliest colonial days and that we have never practiced free trade. Various tariffs were levied in colonial days, but before 1816, when we undertook to build an iron industry against discouraging competition from abroad, our tariffs were largely for revenue rather than protectionist purposes. The tariff of 1789, however, did include considerations of protection, as did the one of 1804, designed to meet expenses of the war against the Barbary pirates, and that of 1812, which soon after was threatened by heavy influx of British goods. To stifle this development of American industry, which would deny the British markets needed to sustain prosperity there, English manufacturers demonstrated the usual willingness to undersell this new competition at all costs. Import values rose from \$13 million in 1814 to \$147 million in 1816; in that latter year, the Government derived a \$36 million share in tariff revenue.

Imports continued to grow, with serious effects upon new American industries trying vainly to compete and culminating in the panic of 1819. This, in turn, brought the tariff of 1824, with virtually the entire Nation rising up to overwhelm the shipping interests' resistance to increased tariffs.

Thus insulated from foreign goods, home enterprise thrived and a period of speedy expansion and relative prosperity ensued. Enjoying for the time being a favorable public attitude toward tariffs, northern manufacturers pushed through still another hike in 1828. But southern cotton interests, not then direct beneficiaries of protectionism and witnessing the failing of prices while the cost of manufactured goods continued to rise, soon got it labeled the "tariff of abominations." The Nation was locked in a battle of special interests over tariffs, resulting in the compromise tariff of 1833 making some downward adjustments. Denied the protection to which they had become accustomed, new industries went into a tailspin along with the agricultural South, and the Nation got the panic of 1837.

Before demands for previous high tariffs were realized, however, the Nation's productive level had been sufficiently damaged that purchasing power once again came into balance. With collapsed prices, we then found ourselves able to compete favorably in the world markets, and exports soon had climbed ahead of imports. As prosperity returned, Treasury surpluses began to appear, giving support to demands of shipping interests for another tariff cut.

Then as now, the Nation went through a period of relative prosperity, and advocates of freer trade reigned without serious challenge. As Treasury surpluses persisted, the tariff of 1842 and the (Robert J.) Walker tariff of 1846 relaxed protection against goods from abroad. The effect was to develop an unfavorable trade balance in which our imports outstripped exports, with accompanying unemployment at home. To tariff cuts hard-hit industries and workers began to attribute their plight; the woolen industry was convinced the 1846 act had ruined it. But the 1837 crash had done severe damage to the Nation's productive capacity, and home purchasing power remained capable of sustaining slow—and increasingly painful—expansion. On their side, moreover, the free traders had the largely irrelevant argument that the Government had instead of a debt an actual funds surplus, which was considered to be a sure sign of good economic health much as a balanced budget is today confused with stability.

The final blow was struck for free trade with the tariff of 1857, with a measured effect of increasing the flow of foreign goods which a wheezing economy lacked purchasing power to absorb. Once again, the fainthearted stood aside while special interests tugged away at the tariff issue. As always in serious recession, the protectionists won, and just before the election of Lincoln came the tariff of 1861 to restore more protection. Then came the Tariff Act of 1864, made necessary in part because domestic manufacturers had been saddled with increased excise taxes to meet war costs—the first real recognition of the tax differential consideration in tariff policy. The last war tariff, that of 1865, introduced the system of compound duties on cotton manufactures by adding ad valorem duties to the specific duties already in operation.

The Civil War having proved too great a strain for the inadequate monetary system then as now in operation, the inflation which followed was attributed to the greenbacks still outstanding. But with this abundance of money in relation to consumer goods came a period of general prosperity and business expansion theretofore unmatched. Taxes, which at war's end ran 8 to 20 percent of the value of practically every finished industrial product, were reduced somewhat, but the new industries which had struggled into being under high tariffs prevailed against an early return to freer trade. As usual under circumstances of relative prosperity, however, international trade interests aroused sufficient agricultural and public sympathy to secure in 1870 a slight lowering of duties, applying mostly to industries in which there was little interest. Tariffs at this point ran as high as 60 and even 100 percent on some goods.

When finally the farmers began to suffer slight recession, they began grumbling about the continued high costs of manufactured products and attributed it—correctly to some extent—to high tariffs. The result was the tariff of 1872 sharply reducing rates.

Thrown into competition with world industries at a time when home purchasing power was barely adequate to sustain them with protection, many American manufacturers went under. There followed the panic of 1873, one of the most severe in our Nation's history. With imports exceeding exports, the next decade was extremely painful and costly in terms of productive strength and economic growth.

By 1883 we had sabotaged enough productive strength to restore some balance between purchasing power and current output. Thus, with the tariff increase of that year came the return of a favorable trade balance, \$726 million and \$577 million respectively, to form a pattern of exporting more goods and services than we import that was to remain.

In the relative prosperous years to follow, the freetraders mustered strength, making unsuccessful attempt to reduce tariffs in 1884 and 1888. The new Republican administration met another downward spiral at the door with the McKinley tariff of 1890, establishing a general level of duties approximating 49.5 percent. Called an equalization tariff, this act provided for "reciprocity" which was almost exactly the opposite of that provided by our so-called Reciprocal Trade Act with its favored-nations principle; reciprocity then meant we could impose duties on goods which were deemed reciprocally unjust or unreasonable.

In the prosperity that followed, reaction to the high tariffs set in and on the crest of that wave of resentment the Democrats rode into office. The (William L.) Wilson Tariff Act, cutting duties, which followed soon thereafter preceded only briefly the severe panic of 1893. The job of discrediting the Democrats and their freer trade was completed when the Supreme Court declared the income-tax unconstitutional, since they had cited this tax as the means they would use to make up the revenue lost from tariffs. Deficits appeared from 1893 to 1897, when McKinley rode triumphantly into the White House to "rescue the Nation" from the freetraders.

No time was lost in calling a special session, and 3 days later we had the Dingley Tariff of 1897. By now protection and prosperity had become almost synonymous terms in the public mind, and remained so for the 10 years that intervened before depression broke through to defy the myth that high tariffs and Republicanism are certain defenses.

But this "Republican prosperity" brought with it the usual increased cost of living, with attendant grumbling on the part of those enjoying no direct benefits of protectionism. When the Democrats did get in a position to reverse the policy, they passed instead the Payne-Aldrich Act of 1909 effecting almost no overall change and succeeding mainly in complicating the machinery and confusing the issue. The law enlarged the President's discretionary powers, the common result when laws are passed amid indecision as to direction, empowering him to retaliate against countries imposing tariffs on our goods up to 25 percent. Another delegation of congressional powers included one which is sound insofar as the recipient is an agency of Congress, was the creation of the Tariff Board.

Though high tariffs were discredited as a complete solution to hard times with the panic of 1907, the voters nevertheless understood that was no evidence that free trade would do the job. By now the issue was confined thoroughly in the public mind, and tariffs in the main were seen in their true light—neither all black nor white.

Economic recovery was ultimately completed with the coming of World War I. But it was not until afterward when prosperity seemed secure that the people could be sold another tariff cut in the form of the Underwood Act. When the Nation discovered that the cut had ushered in the recession of 1921, the argument that the Republican high tariff means prosperity got another shot in the arm. Surging back into control of Congress, Republicans rushed through the Emergency Tariff Act of 1921, passing it over the veto of President Wilson. Still on the books as the Antidumping Act, it is aimed at protecting the domestic market against foreign goods which are subsidized. Because export sales are marginal sales and subjugating foreign markets is a sound financial investment at almost any cost, nations were then as now engaging in widespread exports subsidies. This act purported to block the sale of goods here at prices cheaper than sold abroad or at prices which are deemed to be unreasonably low.

Having staved off the growing flood of foreign goods seeking entry, partly to repay war loans, the Republican Party became the party of prosperity. In the years following until the 1929 crash, the Nation glimpsed its real potential for industrial growth, even though plagued by a steadily growing imbalance between effective consumer buying power and the everincreasing output of goods. These were years of reasonable price stability with relative prosperity, but all the while the gap between purchasing power and production was widening; the gap went unregistered on the surface only because a series of orthodox crutches were placed into operation, among them being subsidies to farmers, the Reconstruction Finance Corporation, sharp increases in consumer credit, stock market buying on fractional margins, and our own export subsidies.

Our tariff policy likewise was used to the utmost to stave off the inevitable collapse. The "buy American, sell abroad" concept took firm hold. In the Fordney-McCumber Tariff of 1922, signed into law by President Harding, flexible duties were provided, and under these provisions President Coolidge in 1924 imposed still higher duties.

By the time Hoover inherited the responsibility all the historical gimmicks for staving off economic collapse had been used up, and he was not a man to flaunt tradition. High tariffs had not saved us, but few seriously contended that free trade should then be tried. The next year came the much-maligned Hawley-Smoot Act of 1930, which remains today our basic tariff law as amended by the 1934 Trade Agreements Act.

It is interesting that resistance to the 1930 tariff hike consisted almost altogether in a petition signed by a thousand classroom economists, terming themselves "above the battle of special interests," calling unrealistically for Hoover to veto the act he recommended. In the more prosperous years that followed, however, all sorts of sages have described the Smoot-Hawley Act as the cause of everything from the crash of the year before to World War II.

When the Democrats were swept into office in 1932 they failed to repudiate the high-tariff policy to which some had effectively attributed much of our trouble. It was not until 1934 that the abused 1930 Tariff Act was amended with the so-called Reciprocal Trade Agreements Act, and it was not really used to lower tariffs until war broke out in Europe, bringing worldwide economic recovery. Far from a weapon to stop wars, this freer trade device could not even become operative until war made it possible.

The first agreements were concluded with South American nations, and not until the war year 1938 was an agreement made with Great Britain and the existing one with Canada made extensive. The 1934 amendment to the still-existing Smoot-Hawley Act, the policy we somehow came to call the Reciprocal Trade Agreement Act, was not designed to further "free trade" as such—but rather to remove some obstacles to dumping some of our surpluses abroad. Its basic provision, the first paragraph, reads: "For the purpose of expanding foreign markets for the products of the United States * * *"

Evidence that war prosperity and not the Reciprocal Trade Act brought about the real tariff cuts is seen in the fact that the average tariff level on all dutiable items fell only from about 47 to 37 percent between 1934 and 1941, and about a third of that was the result of increased prices on specific (as distinguished from ad valorem) rates rather than actual tariff cuts. By 1944, they had dropped to 29 percent, largely reflecting inflated prices of those commodities in which duties are expressed in terms of dollars rather than percent value. In 1955, after a decade of active tariff cutting by this Nation while other nations continued extreme protectionism, the average reached about 12½ percent.

A very large percentage of foreign demand for American goods in recent years has been paid for by Americans in the form of aid programs, all increasing our

national debt. Some American businesses have become accustomed to this abnormal foreign demand. They seek to use the reciprocal trade program as a vehicle for increasing our imports in order to provide foreign dollar purchasing power sufficient to stabilize their foreign demand. They do so, unfortunately, at a time when there are growing surpluses of various goods the world over, surpluses quite capable of drowning domestic industries if imports are not restrained. Oil provides such an example. Domestic production simply cannot compete, even for the domestic market, with oil produced in some areas abroad, largely because our wells average less than 20 barrels per day as compared with a Middle East average in excess of 5,000 barrels per day.

It is incorrect to attribute to the reciprocal trade program the abnormal expansion of foreign demand for American surpluses. With the prosperity born of such a great war, tariffs would have been reduced under any administration, with or without a reciprocal trade program; that is a fact strongly supported by history.

If anything can be learned from history, it should be that a nation's tariff policy, no less than its other economic policies, should change as economic conditions change. We must encourage imports to the limit of our ability to absorb without damaging essential home industries, but only to that extent. To attempt any other course in the face of rising protectionism abroad and growing world surpluses of some commodities such as petroleum, could end only in disaster to America and the free world.

STATEMENT OF R. M. WAGSTAFF, REPRESENTING WEST CENTRAL TEXAS OIL & GAS ASSOCIATION OF ABILENE, TEX.

My name is R. M. Wagstaff. I live in Abilene, Tex., and I am a member of the executive committee of the West Central Texas Oil & Gas Association, an association of independent oil operators, with headquarters in Abilene, and with a membership in about 20 counties in the Abilene area.

The recent report of the President's Committee on Energy Supplies and Resources Policy recognizes that domestic production should not be sacrificed to foreign imports, and recognizes that the domestic oil industry is essential to our national defense. The Committee report further says that "If the imports of crude and residual fuel oil should exceed significantly the respective proportions that these imports of oil bore to the production of domestic crude oil in 1954, the domestic fuel situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and the discovery of new sources of supply." The Committee further recommended that in the future if imports of crude oil and residuary fuel oil exceed significantly the respective proportions that such imported oils bore to domestic crude oil in 1954, appropriate action should be taken.

These findings of the President's Committee generally sustain our position. Any industry which is essential to the national defense should receive protection from foreign competition, either by adequate tariffs or by a statutory quota, preferably the latter. This principle was recognized by the economist, Adam Smith, the outstanding advocate of free trade and the man who changed England from a high tariff nation to a free trade nation. Adam Smith in his book *Wealth of Nations*, book 4, chapter II, page 359, laid down two exceptions to free trade.

The first is when some particular industry is necessary for the defense of the country. The example cited by Adam Smith was the Act of Navigation, which gave the sailors and shipping of Great Britain a monopoly of the trade in their own country, in some cases by absolute prohibition and in others by heavy burdens upon the shipping of foreign countries. Adam Smith recognized that the shipping industry of England was essential to the defense of the realm, and he made the preservation and protection of England shipping an absolute and unqualified exception to his free trade program.

The second case cited by Adam Smith in which it will generally be advantageous to lay some burden upon foreign trade for the encouragement of domestic industry, is when some tax is imposed at home on the produce of the latter. Certainly the domestic oil industry of the United States could easily qualify also under this second exception. The taxes levied upon the oil industry—local, State, and National—amount to billions of dollars each year. Approximately 65 percent of all the State taxes of Texas are paid by the oil industry, and the income tax paid by the domestic oil industry in the United States amounts to several billion dollars annually. If foreign oil paid the same local, State, and National taxes as

paid by domestic oil, it would have more difficulty in competing in the American market.

Adam Smith recognized that free trade was subject to these two exceptions, and the application of his economic principles to our present situation demands that the American domestic oil industry be protected from destructive foreign competition.

The President's Cabinet Committee says it is highly desirable that this restriction of imports be done by voluntary individual action by those who are importing or those who become importers of foreign crude or residuary oil. "Desirable," perhaps, but utterly impracticable. This "voluntary" action will not work. For the last 4 or 5 years the independent operators, the major producers, and various oil-trade associations such as the American Petroleum Institute, have agreed that foreign oil should supplement and not supplant domestic production, but the amount of foreign production continues to increase, and in 1954 was approximately 14 percent of the domestic production. No agreement is possible between the importers. The monetary incentive to import oil is very great. The annual reports of the major importing companies show a substantially greater margin of profit than is shown by the annual reports of the domestic producers. It is not human nature to expect these importers to make voluntary and equitable reductions. In addition, the importation of oil from foreign sources is so profitable that numerous other companies are now getting into the business, or planning soon to enter. Another factor which will prevent voluntary reduction is the pressure of foreign governments upon the producers to seek expanded markets. The importers cannot resist this pressure without offending such governments and risking expropriation.

We had an experience in Texas in the 1920's and 1930's with voluntary efforts for conservation of oil and gas. Field agreements, pipeline proration, pressure of public opinion—no voluntary action of any kind was effective. Only by statutory laws in each of the several States has the conservation of oil become effective in the United States. I speak from personal experience, as I was a member of the Texas Legislature from 1931 to 1935 when the great east Texas oil field was running wild, and all efforts at conservation had broken down. I was the author of the Texas conservation statutes passed in 1931, under which the Railroad Commission of Texas regulates the production of oil and gas. I know that it has been the experience of every major oil-producing State in the United States that voluntary agreements and voluntary action are utterly worthless, and that conservation and regulation of the oil industry can be accomplished only by legislative action.

The oil industry of the United States is an essential industry, vital to the national defense. To extend the Reciprocal Trade Act without limiting the imports of foreign oil will in the long run be a disservice to the cause of freer trade. This committee would do well to heed the warning of Adam Smith, and to except the oil industry from destructive competition from foreign oil. Only by the fixing of an import quota can we prevent the crippling of a great industry essential to the national defense.

The CHAIRMAN. The first witness is the Honorable Arthur V. Watkins, the senior Senator from Utah.

STATEMENT OF HON. ARTHUR V. WATKINS, A UNITED STATES SENATOR FROM THE STATE OF UTAH

Senator WATKINS. Thank you.

Mr. Chairman and members of the Committee on Finance of the United States Senate, I do appreciate the opportunity you have extended to me of making this statement here today in connection with H. R. 1. I shall try to make my comments brief and to the point.

Several decades ago when changes were needed in our tariff laws the Congress, under its constitutional authority "to lay and collect taxes, duties, imports, and excises," almost did the job unassisted by the executive branch of the Government.

As the economy grew and developed, it likewise produced a vast number of complex problems involving thousands of economic interest

groups. Thus our complex society, as we are only too well aware, has been productive of an ever-increasing volume of legislative concern for the Congress. Limitations of time and the complexity of certain aspects of this legislative concern have in part necessarily forced the Congress to delegate some of its responsibilities to the executive branch of the Government. Tariffmaking, the subject matter of which involves schedules covering thousands upon thousands of products, was one such activity which, over a period of time, has progressively passed by delegation to the Executive.

Exclusive tariffmaking by the Congress was plainly no longer tolerable by the time of the First World War, and, in 1916, the Congress created the United States Tariff Commission to assist the Congress. At that time the Commission's activities were limited to the continuous investigation of all economic matters which had a bearing upon tariff policy, and the reporting of its findings to the President and the Congress; it had no independent authority to make changes in the tariff laws or in their administration.

The Tariff Acts of 1922 and 1930, however, gave the United States Tariff Commission the authorization to investigate cost of production differences between domestic and foreign products and required it to recommend to the President, on the basis of its findings, specific increases or decreases in the appropriate tariff rates. The President, in turn, was given authority to readjust tariff rates either up or down within a range of 50 percent. The effect of these two acts was to provide the United States for the first time with a flexible tariff policy which enabled cost differentials between domestic and foreign production to be adjusted without awaiting the necessarily slow and very uncertain results of congressional attention and detailed legislation.

With the passage of the Reciprocal Trade Agreement Act in 1934, the Congress began the gradual disintegration of its control, except in theory, over the tariffmaking procedure.

The United States Tariff Commission in effect has been reduced to a Presidential staff agency in the purest sense of the word "staff," for its administrative history indicates that it serves mainly as an informative and advisory agency, an agency whose recommendations are seldom followed. By 1945, trade agreements were in operation between the United States and 28 countries. The result of these agreements by 1945 was that the general tariff level had been reduced almost to that prevailing under the so-called Underwood Low Tariff Act of 1913. More recent extensions, as you are aware, have given the President added authority to reduce tariff rates still further.

With respect to present tariff rates, it is important to realize that the United States is not now a high-tariff country. I think that ought to be emphasized over and over again.

Our average tariff rate, as measured by the percentage of customs receipts to total imports, is the lowest that it has been in this century, and there are indeed few Western European nations whose record is as good on this basis of calculation.

As Dr. Jacob Viner, professor of economics, Princeton University, told the Joint Committee on the Economic Report:

In the past 20 years, there have been substantial reductions in our tariff rates, and, because of inflation, there has been also a substantial reduction of the ad valorem equivalents of the specific duties of our tariff. (1955 hearings, p. 991.)

For example, the custom duty on zinc was one-third of the domestic price in 1930 when the Tariff Act of that year was enacted; today, it is only one-twentieth of the 1954 price.

However, in their endeavor to sell the American public a so-called "liberal" trade policy, low-tariff advocates have made the tariff policy of the United States virtually a scapegoat for the economic troubles of the world. It is about time the nations of the world put a halt to the unjustified practice of making the United States their economic whipping boy. Why? Because it is apparent, in light of the expert opinion which has been given this committee and its counterpart in the House of Representatives, as well as the Joint Committee on the Economic Report, that the world's economic ills will not be solved or even appreciably relieved by any conceivable tariff action which may be taken by the United States.

Willard L. Thorp, former Assistant Secretary of State for Economic Affairs, and now director, Merrill center for economics, Amherst College, put it this way to the Joint Committee on the Economic Report a few weeks ago:

I cannot feel that there would be major changes that would create a great volume of trade. The American economy will be one in which 90 percent, shall we say, of our goods and services will be produced within the United States. (1955 hearings, p. 883.)

Dr. Jacob Viner was even more adamant in stating to the Joint Committee on the Economic Report that:

The amount of change that complete free trade would make in the American economy is not very large. I fear that the amount of gain the American economy can make out of free trade has fairly narrow limits. I fear it only in this sense: The amount of good we can do to the rest of the world through free trade is limited, and the amount of good we can get for ourselves from that avenue, as against the benefits we can get from other avenues of good government, is also limited. (1955 hearings, p. 969.)

It should be evident that a reduction of American tariffs cannot bring about any spectacular increase of United States imports or be of decisive importance in the world economic picture.

Greater United States imports, and successful entry into the American market requires in a great many cases that foreign countries redesign their products, if United States consumer preference is to be created; that they adjust and expand production facilities and establish warehousing, and distribution, and sales facilities in the United States. This is a cost of doing business. It is exactly the same problem that American exporters face.

But even more important: if there is to be an appreciable increase in United States exports, it will depend upon the continued expansion of economic activity in this country. Specifically, what in the main will primarily determine the level of our imports will be technological changes in production techniques and the general level of business activity—not the abolishment of tariff schedules.

Simultaneously with the reduction of United States tariff rates to about half of what they were in 1930 by the Executive under the trade-agreements program there arose a growing volume of protest from certain segments of American industry. The complaints have charged that such negotiated agreements contained tariff and other concessions which resulted not only in American producers losing domestic markets but also in the demise of American industries. And, as the years

have gone by, this conflict has grown and magnified, producing in its wake voluminous but conflicting opinions and literature on the subject of trade agreements.

As I indicated in my remarks to the Senate on January 25, 1955, I am in general agreement with President Eisenhower's statement in his special message on foreign economic policy to the effect that all nations should mutually undertake the lowering of unjustified barriers to trade on a mutual basis so that the benefits can be shared by all. But, as I said on that occasion, the "all" must include these efficient domestic industries which are operating in the face of ruinous and disadvantageous competitive conditions with foreign imports.

A great number of these domestic industries are engaged in the production of raw materials, such as our metals, petroleum, and agricultural products, which must be processed. Yet it is exactly these types of commodities which make up the vast bulk of our imports.

In this connection Mr. Nathaniel Knowles, Jr., Acting Deputy Director, Bureau of Foreign Commerce, Department of Commerce, told the Joint Committee on the Economic Report that:

Some 70 percent of our exports consist of manufactured goods shipped in substantially the forms in which they are finally utilized abroad. * * * Our imports, in contrast to our exports, consist preponderantly of raw materials and crude foodstuff requiring extensive further processing before entering into consumption channels. * * * Less than one-fifth of our imports enter the country as substantially finished products (1955 hearings, p. 930).

Now, with these facts in mind, it is not difficult to see why the export-minded segments of our economy not only do not fear lower tariff rates on imports but actually favor them.

First, foreign imports provide a cheap source of raw materials. Second, without great advantage in the techniques of industrial production, they have little to fear from competitive imports.

I would like to divert a moment from the statement to make this comment, that in years gone by these same industries who are now for lowering of tariffs are the very industries who were crying the loudest for help until they as infant industries in this country could get on their feet.

In our areas—in the intermountain areas, for example—we produce raw materials. We went along with them. But the minute they got into a favorable position where they could meet foreign competition, they promptly left us. They don't want any more protection, because they can buy imported raw materials cheaper as a result of the low levels of living in other countries.

As Dr. Arthur Uppgren, dean, Amos Tuck School of Business Administration, Princeton University, told the Joint Committee on the Economic Report a few weeks ago:

* * * the barrier to a great inflow in imports is largely the \$160 billion investment of American plant in new industry.

With that huge investment American industry would generally meet the price conditions which would be imposed by tariff reduction. What I am saying here is that the proposal of trade, not aid, about a year or two ago, could not have accomplished but a very small amount of the achievement that was dramatized by the visit of two members of the British Cabinet. This was important, but we should not try to persuade the American people that we can do so much more than is possible. (1955 hearings, p. 891).

Actually, one is led to suspect that this drive for a so-called trade-not-aid program is an argument that has been advanced not because

it will cure the economic ills of the world, but because it serves better the interests of the export-minded segments of our domestic economy.

Commodities which enjoy an appreciable export market, it would appear, are in the best position to be considered for tariff reductions under the trade-agreements program. This would probably include, for example, automobiles and special high-grade production machine tools. Yet, the protection afforded to the steel and automobile industries by way of comparison with lead and zinc, a raw material, is relatively much greater.

I firmly believe that an American trade policy must embody those features that will work toward the enlargement of international trade but in a manner consistent with maintaining a sound domestic economy. Our experience to date, however, seems to indicate that certain revisions in the trade-agreements program are necessary if these two objectives are to be realized. It is evident, I believe, that the Congress must return to itself a larger share of the direct responsibility for tariff-making policy in those areas of intense conflict which has been generated by the trade-agreements program.

I would like to interpolate this comment. Since the signers of the Constitution placed in the hands of the Congress the duty of legislating in the field of tariffs, it seems to me that we are dodging many of our duties by passing it entirely over to the President.

As I have indicated, I am not against the reciprocal trade program, and I do insist, and I think the American people will insist in the long run when they know the facts, that we must have greater control in the Congress, a control that will be effective. It is said you can always pass an act, any time you want to, if you do not like what is being done by an executive department. But, we know the difficulty in getting such legislation through the Congress.

In the meantime, an American industry can be completely destroyed, although it was the intention of the Congress that it should not be destroyed. It was for this reason that the Congress provided for the escape clause so as to protect American industry.

Yet, if after the experts have made a thorough and exhaustive decision, their decision can be upset by the decision of the State Department, where are we? The President, I believe, has followed the advice of the State Department too much rather than that of the instrumentality, the Tariff Commission, which the Congress established.

This is essential since, although the continued reduction of tariffs will not appreciably result in increased total imports, they can well result in the demise of many American industries. This is because, as Dr. Jacob Viner told the Joint Committee on the Economic Report:

To a large extent the reductions in our tariff which would really lower the effective margin of tariff protection remain to be made (1955 hearings, p. 991).

Because the controversies over further tariff reductions under the trade-agreements program are undoubtedly going to have greater repercussions, it is imperative that the Congress return to itself a larger degree of control than it has had the past few years. Actually the pendulum of tariff-making authority has simply swung too far toward the expediency of administrative negotiation and execution by the executive branch. It has swung so far in fact that it would cause a reasonably prudent person to conclude, I am sure, that the

Congress de facto has completely abdicated its constitutional authority in this field. I realize that is a pretty strong statement, but as a matter of practice, it is so.

An analysis of escape-clause applications and their administrative disposal will make this quite clear. The escape clause, as you undoubtedly know, was not an original part of the Reciprocal Trade Agreements Act. Rather, it was the product of extensive liberality in granting tariff and other concessions by the executive branch under the trade-agreements program and the result of increasing protest by American industries adversely affected by excessive imports. The function of the escape clause is, of course, to compromise the conflict which arises between the need and desirability of freer international trade and the need for protecting defense and certain other industries fundamental to the economies of certain sections of the United States, the customs and traditions of our people in general, and for maintaining safeguards which protect wages, industry, and agriculture.

The early trade agreements negotiated under the Reciprocal Trade Agreements Act of 1934 contained no general means of providing realistic relief if a particular concession proved unexpectedly injurious to an efficient domestic industry. Although escape clauses had been contained in bilateral trade agreements since 1941 and in the General Agreement on Tariffs and Trade since 1947, it remained for the Congress, because of the difficulty of foreseeing the contingencies that might arise, to make the inclusion of an escape clause in new trade agreements a statutory requirement. This was accomplished in 1951 by the passage of the Trade Agreements Extension Act.

The facts, however, indicate that the executive branch of the Federal Government and the United States Tariff Commission have not in general interpreted and administered the escape-clause provisions as the Congress so intended.

It is interesting to note that of 56 applications, which were filed during the period 1948-54; that is, applications for relief, the Commission recommended relief in only 12 instances, all but 2 of which involved only products of minor importance.

These 12 favorable recommendations were made with respect to—

1. Women's fur, felt hats, and hat bodies (unanimous, September 25, 1950).
2. Hatters' fur (unanimous, November 9, 1951).
3. Garlic (4 to 2, June 6, 1952).
4. Watches, movements, and parts (first investigation, 4 to 2, June 14, 1952).
5. Dried figs (unanimous, July 24, 1952).
6. Tobacco pipes and bowls (unanimous, December 22, 1952).
7. Screen-printed silk scarves (unanimous, April 13, 1953).
8. Scissors and shears (4 to 2, March 12, 1954).
9. Groundfish fillets (second investigation, 3 to 2, May 7, 1954).
10. Watches, movements, and parts (second investigation, 4 to 2, May 21, 1954).
11. Lead and zinc (unanimous, May 21, 1954).
12. Alsike clover seed (unanimous, May 21, 1954).

Rather an unimpressive list, is it not? But why only 12 favorable applications? In part, because the Congress has failed to establish definite criteria for the Commission to follow in arriving at decisions.

But also in part because the Commission in considering the effect of increased imports on production, profits, and employment has consistently held that an industry is deemed to include, for purposes of escape-clause relief, all the operations of the constituent firm making the application, rather than only those operations that are directly related to the production of the product identified in the escape-clause application.

This interpretation has directly served to nullify the intent of the Congress to give needed tariff relief.

How close has the President followed what we must presume to be the expert recommendations of the Tariff Commission? Of the 12 favorable Commission recommendations I named a few moments ago, you will observe that:

1. Seven were unanimous decisions and included: (a) Women's fur felt hats and hat bodies, (b) dried figs, (c) hatters' fur, (d) tobacco pipes and bowls, (e) screen-printed silk scarves, (f) lead and zinc, (g) alsike clover seed.

2. Four were 4-to-2 decisions and included: (a) Garlic; (b) watches, movements, and parts (first investigation); (c) watches, movements, and parts (second investigation); (d) scissors and shears.

3. One was a 3-to-2 decision and was made with respect to ground-fish fillets.

In only five instances did the President follow the recommendations of the United States Tariff Commission. These five favorable actions by the President involved the following:

1. Four products which the Commission unanimously believed needed relief. They included: (a) Women's fur felt hats and hat bodies, (b) hatter's fur, (c) dried figs, (d) alsike clover seeds.

2. The other product—watches, movements, and parts (second investigation)—involved a favorable recommendation decided by a 4-to-2 vote of the Commission.

In these other cases the President refused to grant relief even though by unanimous vote the Tariff Commission had recommended such action. These included: (1) Tobacco pipes and bowls, (2) screen-printed silk scarves, (3) lead and zinc.

Likewise he refused relief with respect to three 4-to-2 decisions and one 3-to-2 recommendation, which respectively involved: (1) Garlic; (2) watches, movements, and parts (first investigation); (3) scissors and shears; (4) ground-fish fillets (second investigation).

In these cases, despite the recommendation of the Tariff Commission, an expert body, the President held to the contrary for reasons which seemed satisfactory to him, that serious injury to the domestic industry had not been established.

I might say that, of course, we recognize the fact that the President himself cannot make these investigations. He can only take the advice of the people who are supposed to advise him. Apparently he prefers the advice of some other agency than the one the Congress intended should be his adviser in this particular field.

It is absolutely useless for the Congress of the United States to create an expert body that is largely investigational in nature and designed to lead to expert recommendation for administrative action in areas where it has delegated to the executive branch extensive authority, as it has done with respect to trade and tariff matters.

A typical case in which the effect is readily apparent of delegating to the Executive final decision with respect to escape-clause recommendations is well illustrated by the lead and zinc case.

During the Korean war foreign production was greatly increased through the support of American aid and by comparatively high domestic prices during a period when domestic production was restricted by price controls. After the war, as a result, excess foreign lead and zinc supplies have continued to flow into our domestic markets at prices well below the average cost of domestic production.

As Mr. Otto Herres, chairman of the national lead and zinc committee, told this committee last week:

Such action has made marginal mines out of once prosperous properties.

I can personally bear testimony to the truth of that statement because I am well acquainted with most of our intermountain mining areas where this has become a reality.

In the spring of 1953 the mining industry was advised to seek relief through the escape-clause provisions of the Trade Agreements Act rather than by legislative means.

This committee, as well as the House Ways and Means Committee, were sufficiently impressed with the problems of the lead and zinc mining industry to direct the United States Tariff Commission, pursuant to the respective resolutions of July 27, 1953, and July 29, 1953, to initiate a general investigation of the industry, including the effect of imports of lead and zinc on domestic prices and employment.

On May 21, 1954, the Tariff Commission unanimously reported to the President that the importation of lead and zinc was in such quantities as to cause serious injury to the domestic industry. In order to correct the problems the Tariff Commission recommended that:

* * * the rates of duty 50 percent above the rates existing on January 1, 1945 * * * be imposed for an indefinite period.

The President, however, for what were sufficient reasons to him, did not follow the expert recommendations of the Tariff Commission.

Instead, on August 20, 1954, the Government initiated a long-term stockpiling program for lead and zinc. And although, by this action, the President recognized in effect that the excessive importation of lead and zinc had injured the mining industry, the results to date indicate that it has not appreciably improved the situation.

Since August 1954, the price of zinc has advanced only one-half cent, from 11 cents per pound to the current quotation of 11½ cents. Why? Primarily, because unlimited imports of zinc and slab zinc have continued to flow into this country.

As Mr. Otto Herres, whom I have already referred to previously, told this committee last week:

For the year 1954 on an average of 41,460 tons of zinc a month from foreign ores in addition to an average of 13,444 tons of imported slab zinc, a total of 54,904 tons, entered United States consumption while the output of the mines at home was dropping to an average of 38,750 tons.

Excessive imports of foreign ores have been taking over a larger proportion of United States smelter production at the expense of the Nation's mines. Domestic mine output of zinc consequently has been reduced to less than 39,000 tons a month from an average of 60,000 tons a month in early 1952. Smelter production of zinc is at an all-time high while output of lead and zinc is the smallest since the depression years, 1931 to 1934.

It is evident, I believe, that stockpiling is not accomplishing the purpose it was intended to achieve. I have given the President credit for a sincere attempt to relieve our conditions in the lead-zinc mining area, but it just has not been effective.

To the extent that stockpiling does increase domestic prices of lead and zinc it only serves as a magnet to foreign imports in much the same way as does the price support program on agricultural commodities. But whereas the American farmer can rely on section 22 to limit imports, the lead and zinc industries have had only the escape-clause provision, which the executive branch has declined to invoke for reasons which appear sufficient to them.

It is quite evident that the pendulum of responsibility for escape-clause actions must swing toward greater control by the Congress. This is a portion of its constitutional authority which should be recalled from the executive branch.

At the same time, it should be made clear that we cannot, with respect to the general responsibility for negotiating trade and tariff matters, return to the cumbersome and slow procedure under which the Congress in the early 1900's sought to write detailed tariff legislation.

Since sessions of Congress nearly run to November now, it is evident that if we had to write a tariff bill the old way, we wouldn't get through by the end of the year, and we would have a legislative backlog year after year.

The amendments which I have proposed to the bill, H. R. 1, to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, are designed to bring the tariffmaking procedure of the United States back into equilibrium again. In brief, the proposed amendments are as follows:

1. Section 3 (a) and (c) of the proposed amendment, by extending the trade-agreements program, as requested by the President, would give authority to the President, for a 2-year period, to—

(a) Reduce tariff rates on selected commodities by not more than 5 percent per year for 2 years.

(b) Reduce any tariff rates in excess of 50 percent to that level over a 2-year period.

(c) Reduce, by not more than one-half over a 2-year period, the tariff rates in effect on January 1, 1945, on articles which are not now being imported or which are being imported only in negligible quantities.

The administrative facilities and services of the executive branch of the Federal Government, under the direction of the President, would be continued for the negotiation and administration of trade agreements. The fact remains that the actual negotiation with regard to the thousands of items covered by trade agreements and tariff legislation is better handled by the executive branch of the Federal Government than by the Congress.

2. Section 3 (d) of the proposed amendment would require the President to submit an annual report on the operation of the trade-agreements program to the Congress which must include—

(a) Information regarding new negotiations.

(b) Modifications made in duties and import restrictions of the United States.

(c) Reciprocal concessions obtained.

(d) Modifications of existing trade agreements in order to effectuate more fully the purposes of the trade-agreements legislation, including the incorporation therein of escape clauses.

(e) Other pertinent information and data.

3. Section 5 (a) of the proposed amendment to H. R. 1 would require the United States Tariff Commission to submit a report to the Congress on all peril-point investigations.

The Trade Agreements Extension Act of 1951, as amended, requires the President, before entering into negotiations concerning any proposed foreign-trade agreement under section 350 of the Tariff Act of 1930, as amended, to furnish the United States Tariff Commission with a list of all articles imported into the United States. Upon receipt of this list, the Tariff Commission shall make a study and report to the President with respect to each article—

(a) The limit to which such modification, imposition, or continuance may be extended without causing or threatening severe injury to the domestic industry producing like or directly competitive articles.

(b) Whether or not increased duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive articles and, if so, the minimum increases in duties or import restrictions required.

Section 5 would require the Tariff Commission to transmit such a report to the Congress as well as to the President as limited now.

4. The proposed amendment would amend section 6 (a) of the Trade Agreements Extension Act of 1951 so as to provide that no reduction of tariff rates or any other concession shall be permitted to continue in effect when importation of increased quantities of any product upon which such a concession has been granted under a trade-agreement causes or threatens serious import injury to the domestic industry producing either like or directly competing products.

Heretofore it has not been spelled out clearly that relief is to be granted from the effects of concessions given under trade agreements.

5. Section 7 (c), (f), and (i) of the proposed amendment directs that should the Tariff Commission find that the importation or prospective importation of any product, upon which a concession has been granted under a trade agreement, results in or threatens serious import injury to the domestic industry producing either like or directly competitive products, it shall find and declare the extent to which and the time for which the following actions are necessary in order to prevent or remedy such injury:

(a) Permanent withdrawal of the concession shall be made;

(b) Modification of the concession;

(c) Suspension of the concession in whole or in part;

(d) Limitation of the quantity of the product which may enter or withdraw from warehouse for consumption; or

(e) Any combination of these four items.

The Tariff Commission's findings would be contained in a plan for their implementation which must be transmitted to both Houses of the Congress on the same day and while both are in session. The provisions of any plan transmitted shall take effect on the expiration of the first period of 60 days of continuous session of the Congress, fol-

lowing the date of transmittal and the expiration of the 60-day period, either House of the Congress, by affirmative vote of a majority of its authorized membership, passes a resolution stating that it does not favor the plan. An essential step in bringing the tariff-making process back into equilibrium again is to reserve to the Congress, which is more representative of the will of the people, final decision in controversial areas of our national trade-agreements program.

After concluding its investigations and hearings, should the Tariff Commission find that relief is not necessary, it shall likewise make and transmit to the Congress a report of its findings, and its conclusions.

6. Specific criteria are established upon which the Tariff Commission is to base its findings under escape-clause proceedings by section 7 (d) of the proposed amendment to H. R. 1.

May I digress for a moment and refer to one matter that has been very irritating to me and most other Members of the Congress. And that is this: When the Tariff Commission makes their report to the President, we have had to wait until the President makes up his mind before we know what is in the report. We ought to know what is in the report as soon as the Tariff Commission makes its report to the President. For example, we have a case that is called attention to in a story today in the New York Herald Tribune with respect to the bicycle investigation. I think this article illustrates the point very well. Mr. Chairman, I should like to have this article placed in the record at this point in my remarks, if there is no objection.

The CHAIRMAN. Without objection, it will be inserted.

(The article referred to follows:)

NEW TARIFF ISSUE PUTS IKE ON SPOT

(By Edwin L. Dale, Jr.)

The Tariff Commission has sent to President Eisenhower a recommendation for higher tariffs, or possibly imported quotas, on foreign bicycles, in the most explosive escape-clause case since the Swiss watch case last year.

The President must act on the recommendation, which is still not public, within 60 days of Monday, when the report of the Commission went to the White House.

Bicycles are a leading export of both England and Austria. Their volume is important, unlike many of the other escape-clause cases involving such items as briar pipes and clothespins.

Under the escape clause of the reciprocal-trade agreements law, the Commission must recommend that a tariff lowered under the law be raised again if injury to domestic producers results. So far, out of more than 50 applications for relief, the Commission has found injury in only 15, and of those 15 Presidents Eisenhower and Truman rejected the recommendation in 10.

The present case takes on added importance because the President's decision may come just when the Senate is considering his reciprocal-trade bill. Probably the major threat to the bill, which the President considers 1 of the 2 or 3 most important items in his program, is an amendment to remove most or all of his discretion in rejecting Tariff Commission recommendations.

Such an amendment—which raises a threat to all past tariff cuts negotiated in the 20 years of reciprocal trade—was rejected in the House by the narrow margin of 206-199. There is strong support for it in the Senate Finance Committee, which now has the bill before it.

If the President rejects the Commission recommendation, he will strengthen the hand of those in the Senate who want to remove his discretion. If he accepts it, then he will badly injure relations with both Britain and Austria and will raise the general question of which way American tariff policy is moving.

Should a tightening of the escape clause pass Congress, then the number of applications for relief can be expected to increase sharply. Recently the Commission has been approving a much greater portion of the applications, but President Eisenhower has rejected 8 of the 10 that have come before him.

Senator WATKINS. The Tariff Commission is directed to consider any of the following factors as constituting import injury with respect to a domestic article when caused, or threatened to be caused, in whole or in part by the importation of competitive imported articles.

- (a) Unemployment, layoffs, or curtailment of workweek;
- (b) Reduction in actual or relative wages, including reduction of fringe benefits enjoyed in lieu of wages;
- (c) Decline in prices or sales;
- (d) Rising inventory;
- (e) Decline in profits of, or operation at a loss by, the manufacturer, producer, grower, or wholesaler;
- (f) In the case of an agricultural product, a return to the grower or producer below the established parity price for such product;
- (g) Decline in flow of investment into plant expansion, new equipment, or other improvements;
- (h) Decline in proportionate share of the domestic market enjoyed by the domestic article;
- (i) Increase in the importation of like or directly competitive imported articles accompanied by unused, but available and suitable, capacity to produce, manufacture, domestic articles or grow agricultural products;
- (j) Inability to meet promotion, advertising, and customer services provided for a like or directly competitive imported article, to the extent that such inability is due to the lower-landed costs of the imported article or to payments from foreign sources not included in the landed cost of the imported article; and
- (k) In the case of any natural-resource industry or to any industry determined to be essential to the national security by the National Security Council, a productive capacity of the domestic industry which is less than the peacetime requirements of the domestic market for the article produced or manufactured by the domestic industry, plus a reasonable reserve over and above peacetime requirements for emergency use.

By providing such criteria, the Congress can insure that its policies with respect to escape-clause actions are carried out as intended.

I think this is probably the first time that comprehensive criteria to be followed by Tariff Commission have been spelled out.

7. For purposes of escape-clause proceedings a definition of an industry is provided by section 7 (e) of the proposed amendment to H. R. 1.

Where a particular business enterprise is engaged in operations involving more than one such industry, or more than one such segment of a single industry, the Commission shall distinguish or separate the respective operations of such business enterprise for the purpose of determining import injury.

A domestic industry is held to include only those operations that relate directly to the production of the products under investigation.

That concludes my formal statement, Mr. Chairman, and I appreciate the committee's attentiveness this morning and I thank you for having given me this opportunity to appear here today.

The CHAIRMAN. Thank you, Senator.

Do you want to put in the other papers, to be put into the record?

Senator WATKINS. I do not believe so, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Senator George.

Senator GEORGE. No.

You have given a rather comprehensive statement regarding this subject, Senator Watkins, and the questions you raised are most important questions for this committee to resolve.

I thank you very much for your statement.

Senator WATKINS. Thank you.

The CHAIRMAN. Senator Kerr?

Senator KERR. Senator Watkins, I was keenly interested in all of your statement. You said that experience had demonstrated that in many cases the Tariff Commission had made recommendations based on evidence and opinion of experts, but that experts in the State Department took an opposite view, and the President therefore did not follow the recommendations of the experts in the Tariff Commission.

Senator WATKINS. Well, it appears that the experts in the State Department from contacts I have had with them are the people who provide that staff assistance to the President, and, of course they negotiate the trade agreements.

Senator KERR. I wonder if that doesn't suggest to you this likely answer or conclusion, that the President regards the so-called Reciprocal Trade Agreements Act as an adjunct to his responsibilities and powers in the field of foreign policy, rather than as a program relating to international trade and commerce, which under the Constitution is exclusively under the control of the Congress.

Senator WATKINS. The two are closely related, of course, and it would be highly desirable, I believe, if we could follow a trade policy that will also aid our general foreign policy. But we must not destroy at the same time our own domestic economy, or certain segments of it which have a right to exist and which we may need very badly in time of emergency or in time of war. If we completely destroyed them by a shortsight peacetime trade policy they cannot be restored at a moment's notice. That is true with respect to the lead and zinc industry, for example. You cannot let them go idle for years and expect them opened up in an emergency. Water comes up in those mines, timbering and other things deteriorate, and it is almost impossible to reopen them again. No sensible businessman will invest his money under such conditions, and no sensible person will become a miner under these conditions.

Senator KERR. I notice you quoted Dr. Herres.

Senator WATKINS. Mr. Herres of Utah; yes.

Senator KERR. He made a very fine statement to this committee the other day and gave us information to the effect that domestic consumption now is based considerably more on supplies from imports than from domestic mines.

Senator WATKINS. Yes; he made that statement, as I indicated in my prepared statement. He is very careful about his statements

and he is a very honest man, who would not mislead anyone. I have known him for many years.

Senator KERR. I asked him then if he didn't think that much of that supply that was being imported was being brought in by American companies that had gone to foreign countries with American capital and found a cheap source of supply and cheap labor and were bringing it in in competition to our own production. He said he thought it was.

I asked him to give the committee, if he could, his best estimate of what part of the imports were being brought in by American companies doing business in foreign countries. He brought me back a statement of it, and I put it into the record yesterday, which indicated that something like a third of all imports was being brought in by American operators who were producing in foreign countries.

Wouldn't that lead you to believe that, rather than this being exclusively a reciprocal-trade program, it was becoming a vehicle whereby American operators could find and bring in foreign production in this case, certainly, and probably in many more, to the great detriment of local production and the economy of States in our country that depend on local production.

Senator WATKINS. I think it is not only true in metals, for instance, but it is also true in the field of oil, oil development. As I indicated in my statement, the "trade—not aid" people, who are freetraders by and large, are just such people—the export segment of our economy.

Senator KERR. Evidence in that regard indicates that upwards of 90 percent of the known oil reserves of the free world are controlled by 7 countries, of whom 5 are American and 2 are foreign.

So, in the field of supplying of fuels to the domestic market in competition with both oil and coal, a far greater percentage of the imports are being brought in by American operators, even than in the field of lead and zinc, in which a third of the imports, approximately, are by American operators, but in bringing in the fields of competition with domestic oil industry, and domestic coal industry, I would say that very close to all of the importation is on the part of American operators doing business and producing in foreign countries.

Doesn't it seem to you that in view of the fact that it is the sole and exclusive function under the Constitution to regulate international trade and commerce and to levy imports that Congress not only should do so in the appropriate manner, maybe in this bill here, but that it also should retain that control of the program that would let it work out as one understands the control of Congress in the field of international trade and commerce and not just become an adjunct of the executive's powers and the responsibilities in the field of foreign relations?

Senator WATKINS. Substantially I agree with your statements, Senator. What I have attempted to do here is not offer an amendment which would treat each industry's problem, but rather, I have tried to provide a program which I think is somewhat of a compromise. A compromise I think will be effective in bringing back to the Congress the needed degree of control over our trade program, and still get all the advantages of the reciprocal trade agreement negotiation by the Executive.

Congressional control is provided under this amendment I have prepared, since for 60 days after the Tariff Commission has reported its findings on escape clause applications, the Congress can reject it by a majority vote of either House. If Congress does not, then the findings of the Tariff Commission become effective, and the amendment lays down somewhat detailed criteria that shall guide the Tariff Commission in its investigations.

I think the Act with the escape clause provision, strengthened as proposed, will make a pretty good act. At present, however, we find, as has been indicated, that the President does not follow the Commission's recommendations to any great degree, but that of State Department personnel, who I do not believe are the best experts in the field of trade and tariffs. They are better experts in general foreign relations, but they come over and advise the Executive—

Senator KERR. Primarily in the field of the responsibility of foreign relations?

Senator WATKINS. That is right.

Senator KERR. You have a proposed amendment here. Would it change the authority provided in H. R. 1, as it came to us, for the President to further reduce tariffs?

Senator WATKINS. They would give him the same power as H. R. 1 would, except we hold it to 2 years instead of 3 years that he asked for.

Senator KERR. Isn't it possible that many of the difficulties we now face by reason of the working out of this legislation, as we already have it, have been due to the granting of too much tariff concessions already?

Senator WATKINS. Of course, since the escape clause provision has not been made the responsibility of an independent agency subject to the control of the Congress.

Senator KERR. I understand that.

Senator WATKINS. We need to lower and should lower tariffs wherever we can, for international trade is definitely desirable, but in those cases where trade concessions result in possible injury to efficient domestic industry, an important study should be, and the final decision as to whether relief ought to be granted should be reserved to the Congress. At present, also, we do not always get in return the same concessions we give, and by strengthening the escape clause provision in the manner I have suggested, adequate congressional control over Executive negotiation of trade agreements can also be achieved, as it should.

Senator KERR. I want to say that I am very much impressed by your position. It seems to me, however, it would be consistent with your position to conclude that there is already in existence legislation ample, if not excessive, authority to make tariff reductions. If that is true, in the event the act is renewed, it should be without additional authority to further reduce tariff.

Senator WATKINS. Senator, the amendment I have proposed provides, as I have just explained, sufficient control. There may be a difference of opinion though. However, I didn't want to hamper the President too much, for there is a close relationship between general foreign policy and foreign trade matters. He can and should make trade agreements. We only say to him in this amendment from here on we are going to exercise the authority given us by the Constitution

to say whether or not certain industries have been damaged as a result of trade agreements and if so what relief should be granted on the basis of expert findings. We are going to have one of our agencies, the Tariff Commission, go into the facts, make the recommendations, from a completely unbiased position, then we will say whether that will become effective or not.

Senator KERR. I think the proposal is sound. Believing that an ounce of prevention might be worth a pound of cure, and feeling that the situation that exists that you seek to correct was brought about by the development of problems under the authority already existing, that maybe it might be a sound position to take that we not only would provide means for curing of the present problems, but we put in a little ounce of prevention to keep more acute ones from developing in the future.

Senator WATKINS. Well, I was looking at it from the practical standpoint, Senator Kerr, and I think the proposed amendment does just what you are suggesting needs to be done.

Senator KERR. What you are doing is providing a suggestion to enable us to cure certain problems.

Senator WATKINS. That is right. What I am doing now is to—

Senator KERR. I am asking you if in addition to that we ought not to provide a little prevention there for the development of these problems or to help keep them from being more acute.

Senator WATKINS. I believe I have.

Senator KERR. All I am talking about at the moment is taking out of H. R. 1 the provisions which give him the power to further reduce tariffs in the future over what he has done previously.

Senator WATKINS. That increase of 5 percent?

Senator KERR. Yes.

Senator WATKINS. I don't think that would be desirable for the reasons I stated a few moments ago.

Senator KERR. Thank you.

The CHAIRMAN. Senator Malone.

Senator MALONE. Senator Watkins, I think you have contributed a good deal to this committee by tabulating information historically, the background of what has happened over the years. You have quoted some very able people like Otto Herres. I am very much interested in your conclusion that Congress should take back its responsibility under article I, section 8 of the Constitution, at least have a check on the situation which it does not have, and has not had over the years.

There has been a considerable misunderstanding, it seems, as to what happens if we didn't extend this act at all. Some seem to think that it goes back to the old methods that you describe so adequately, where congressional committees try to write tariff bills.

Of course, you explained that that is not true, but the 1930 Tariff Act was very specific that the Congress lay down a principle of fair and reasonable competition, the difference in costs between our production here and in the chief competing nations, and they recommend that to be the tariff. It doesn't come to Congress at all, unless the Congress should introduce a bill and take over the regulation of any product in a certain industry.

Senator WATKINS. I agree substantially with what the Senator has said.

Senator MALONE. Isn't that a fact, that the Tariff Commission under the 1930 tariff bill, section 336, is directed specifically to determine the difference in the cost of an article here and the cost of an article in a chief competing nation?

Senator WATKINS. I think that is what I stated in my statement and he could also adjust tariff rates, as I explained.

Senator MALONE. I think it was.

To clear the record entirely, the Congress, unless it introduced a special bill, would have nothing to do with it whatever on a certain product, or changing the law entirely. It could do that at any time, but there are considerable difficulties in doing that, but in this particular field we have no authority at all.

Senator WATKINS. The only method we would have to correct the situation we are talking about now is to pass a special act. But under this other situation, it would come immediately to the Congress, and the Commission would make its recommendation—

Senator MALONE. I am not asking about your amendment to this bill. I am asking about the 1930 Tariff Act. Isn't it a fact that all the responsibilities are in the Tariff Commission; the Congress laid down a principle of fair and reasonable competition, and the Tariff Commission alone makes the computation as to the difference in the cost and recommends it to be the tariff, the duty on that particular article?

Senator WATKINS. They make the recommendations to the President and he could adjust tariff rates up or down within a range of 50 percent.

Senator MALONE. The President has no authority to change their recommendations. He may not accept it, but he cannot change it.

Senator WATKINS. That is right.

Senator MALONE. Whether he attempts to or not, he couldn't.

Senator WATKINS. Legally I agree, Senator.

Senator MALONE. We are accustomed in the last 22 years for things—not so much recently, I am glad to say, that they do it whether it is legal or not.

Maybe we are getting away from just that kind of action a little.

Senator WATKINS. That is an improvement.

Senator MALONE. I hope so.

The escape clause and peril point, the way they are written in the bill, it doesn't matter what the Tariff Commission may say about it, or whatever its conclusion, the final decision is with the President alone; is that true?

Senator WATKINS. That is right. I so stated that in my paper.

Senator MALONE. I wanted to make it clear that each time anything comes up we have some kind of an amendment in here to wet the public down and give the workingman and investors some encouragement that they will get some attention from now on, but they have never gotten very much. The President's decision is final on both the escape clause and the peril point after they have gone through the ritual of asking the Tariff Commission for its opinion; is that true?

Senator WATKINS. I think that is substantially correct.

Senator MALONE. It is also true, then, that in 1934 Trade Agreements Act we completely changed the principle of setting duties, imposts, or excises, or tariffs as we have come to call them, from that

fair and reasonable competitive principle laid down in the 1930 act, to one where international political considerations can be given to whether or not a duty ought to be lowered, and also the matter of the interrelations of industries in this country, like agriculture and manufacturing and mining, and other industries can be considered in fixing a tariff. In other words, the situation is such that it opens the door wide to factors that the President may consider that never was previously allowed to be considered through the Tariff Commission or any other commission, but the President may consider these factors, whether we gain by giving away part of an industry to foreign countries and if we do, in his judgment, it is good for the United States of America, he can so decide, can he not?

Senator WATKINS. Apparently so. I think conditions have changed a great deal since the days when the Reciprocal Trade Act was first passed, and we are all aware of that fact. We know that probably any President—and even Congress itself—would be probably inclined to do as much as it could to encourage these other countries to encourage foreign trade. As I stated in my paper, I am not opposed to increasing foreign trade. I would like it done as much as possible so long as it does not destroy efficient domestic industries and the American economy. I think that would be a disservice to our allies if we did a thing of that sort.

The biggest single factor in the defense of the free world is the United States, and one of the biggest single factors in our defense program is our economy, our industries, our mines, and our farms and the brains of America and developing under the free-enterprise system. If that should be weakened, it would probably be more damaging to us than if we lost several of the other nations' armies and navies and air forces.

Senator MALONE. That is always part of my speech, and I appreciate it.

Senator WATKINS. Thank you.

Senator MALONE. It saves me some time.

However, we did change the principle entirely from a principle laid down for the Tariff Commission to fix rates on the basis of fair and reasonable competition by determining the difference in cost between this Nation and the chief competitive nation for this article or a similar article and recommending that to be the tariff, to a principle of allowing all of these factors to be considered that I have just named in the President's decision.

Senator WATKINS. That statement has some substance. I am having a little difficulty to follow all of the——

Senator MALONE. I will name them again.

Senator WATKINS. You don't need to. I am in substantial agreement. I am in substantial agreement as far as I can go in respect to this proposition.

Senator MALONE. You can take it from me I quoted it correctly.

Senator WATKINS. I am not doubting it.

Senator MALONE. You agree with me that we changed the principle?

Senator WATKINS. In part, yes.

Senator MALONE. I will take cognizance of that word.

Senator WATKINS. The 1930 act was a flexible act.

Senator MALONE. It was a flexible tariff, but not a flexible principle. The principle was laid down cold that the American workingman and investor got the protection of a duty, the difference between the cost here and the cost in the chief competitive country. Then it was flexible that on their own motion or on invitation of Congress or the President or pretty near anybody, they could take it up and change it when they found it no longer fit the situation. That is true, isn't it?

Senator WATKINS. No, as I explained, the President could reduce or increase tariff 50 percent.

Senator MALONE. There has been a good deal of argument as to whether we changed the principle and put in the escape clause and peril point just what we intended to do. I want to quote to you from the Secretary of State, which seems to clear that up.

In answer to a direct question from a member of this committee to Secretary Dulles:

Do you agree there is authority in the act to trade away an American payroll to serve an international purpose if it causes injury to that American payroll? this is his answer:

Conceivably so, yes. We do a lot of things, sir, which do great injury to the American people to serve an international purpose.

Further on in his answer to similar questions, he says:

It is my understanding that the so-called escape clause is not designed to protect from injury every particular element in American industry.

Further, in pressing the same question, he said:

I do recognize that the competition, whether it is from domestic or foreign—putting them on the same basis—

does injury and it does injure first the weaker and less economical units in an industry.

So it was very interesting to me to have the Secretary of State interpret that act that was intended in the first place to trade a part of the industry away. Then he further says:

I think those are matters—

in answer to a further question—

that I think you will appreciate might cause discrimination between the little fellow who is in one line of business, which is definitely comparable to the same line of business conducted by the big fellow who is also hurt, but less painfully, because, on the whole, the big fellow's operations are more profitable, taking in all his operations without regard to just one segment—

and Secretary Dulles answered:

I think those are matters, when you have the international factors involved, which should be, to some extent, within the discretion of the President's judgment.

I was very much interested in your coverage of the lead-zinc situation. Of course, we brought that out in another committee, of which you are a member, that England's stockpile, paid for largely by American taxpayers, had a lot to do with breaking the zinc-lead market in this country.

In 1953, they started to ship their stockpile in here. You quoted from Otto Herres. He is a keen observer and knows the situation thoroughly. It broke the market in zinc from 16 cents to 10 cents,

and turned the ore we had in this country, most of it, into country rock. That is about the result of it.

I am sure you have studied this General Agreement on Trades and Tariffs at Geneva.

Senator WATKINS. Yes, Senator.

Senator MALONE. Are you aware that the existence of that organization of 35 to 50 nations that deals in multilateral agreements by which we are bound, according to the State Department, and whether we are or not, we are living by them. If we did not extend this bill, the organization could not proceed with its operation.

Senator WATKINS. In my amendment legislative recognition of GATT is withheld.

Senator MALONE. I am talking about this situation as it is now. You understand that it could not operate if we didn't extend this bill.

Senator WATKINS. I say on page 3:

Provided further, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trades.

That was intended to give it no standing and not do anything about it until we got a recommendation with respect to it from the President and we approved or disapproved it. There would have to be special legislation on that subject.

Senator MALONE. We have had that in other legislation already passed. In years past it was included in certain legislation.

Senator WATKINS. We understand the President is going to send up the organizational provisions.

Senator MALONE. Apparently he is holding it up until we pass this.

Senator WATKINS. You would know better. You are on the Finance Committee. I don't know what you have received up to date.

Senator MALONE. I am asking you whether it wasn't in prior legislation in years past.

Senator WATKINS. Yes.

Senator MALONE. I am trying to develop this for both of us.

Senator WATKINS. I am trying to help you.

Senator MALONE. You are helping me very much. The President has not sent the GATT provisions up here, and some of us believe that it will not be here until after this act is passed, which assures the continuation of the GATT organization.

Senator WATKINS. I was afraid of that myself, and that is why I put that provision in my bill. But we ought to reserve judgment until the President sends the thing to the Congress.

Senator MALONE. Whether you approve it or not, that same provision has been in past legislation, and it has operated whether Congress approves it or not, and we have been living under its provisions whether we like it or not. We didn't seem to know how to attack it.

Senator WATKINS. We didn't have enough votes.

Senator MALONE. We might have had the votes. The point is we didn't attack. It is like the International Trade Organization. When it came up here we refused it.

Then you are aware that the State Department immediately organized what they call the International Materials Conference, which did the same thing, and it was financed surreptitiously out of the State Department funds.

Senator WATKINS. I agree with that. I was very critical of the way they handled these matters.

Senator MALONE. Regardless of the wording of your bill, if we extend this act, it can go on even if he doesn't send it up.

Senator WATKINS. He has to send it up here.

Senator MALONE. There is nothing to make him send it up here.

Senator WATKINS. We cannot force him physically to do it, but if he observes the spirit of the act, he will send it up, and I am sure he will.

Senator MALONE. It has been 22 years now and some of these changes have never arrived here. It can operate, continue its operation regardless of any wording in your amendment, even if your amendment is accepted.

The United Nations Assembly just passed a resolution 3 or 4 months ago creating another worldwide organization to regulate trade which under this act, if it is extended, can go on and on. I doubt if that resolution is sent to Congress.

No one has paid any attention to it.

Senator WATKINS. We get overloaded with these organizations. I sometimes think we have "organizationitis."

Senator MALONE. That is correct. But don't laugh it off, because they are operative and effective. If you don't extend this act, then they all fall on their face of their own weight. So let's explore what happens if you don't extend the act. If you don't extend it, then you understand that every product upon which there is no trade agreement reverts immediately after midnight June 12 of this year to the Tariff Commission.

Senator WATKINS. I understand the old Tariff Act would be in effect.

Senator MALONE. Except where there are trade agreements in effect.

Senator WATKINS. Subject to what has been done in the meantime. We would have to recognize our agreements because, as I remember the Constitution, they become the law of the land.

Senator MALONE. That is what some of us are objecting to, also, in addition to what it does to us. The President can, at any time he sees fit, serve notice on the country with which such trade agreement has been made for cancellation, and then within a certain specified time, that product, too, reverts to the Tariff Commission under that.

Senator WATKINS. Yes; with the President having limited authority to adjust tariff rates.

Senator MALONE. So then we might, I suggest, at least, just suggest for your study, that I have an amendment to the 1930 Tariff Act that would give the Tariff Commission a little more leeway. They are confined to 50 percent up or 50 percent down now, and the inflation over the last 20 years has lowered any fixed tariff more than 50 percent. I think you would agree with that; would you not?

I think you would agree that any fixed tariff in 1934 when this act was passed due to the inflation, probably 50 percent or more, has lowered any fixed tariff at least 50 percent, due to the inflation.

Senator WATKINS. I would like to make this comment with respect to what you have just been saying, Senator. If you give all the power to the Tariff Commission, then we are in the same position, if we don't like what they are doing, as we are at present where the President has

the final say. I think the Congress ought to have a veto power on anybody who makes that determination.

Senator MALONE. We have that in this amendment I have.

Senator WATKINS. Then you are in substantial agreement with what I have offered, except that you eliminate the executive branch entirely, and I don't think that is desirable.

Senator MALONE. I am not in substantial agreement, but I will come to that later.

Under the 1930 Tariff Act, you have the principle of fair and reasonable competition. Any man in the United States, woman, or boy, who can get enough money to go into business, if he thinks he has a market and raw materials and transportation and everything right, he can say to his potential investors, "This is the principle laid down by Congress. I do not have to compete with foreign nations because anything of theirs will have to come in on their level of cost. I only have to compete with my own people who pay approximately the same wages and taxes and cost of doing business."

There is a lot of difference in that principle and the principle that one man can consider all political implications, international political implications, and try to cure them with the lowering of any duty that he puts the finger on.

So on this principle we still could take up any particular item we want to, but in the amendment I have offered to the 1930 Trade Act, I have that 60-day proposition, that if we didn't act in 60 days, their recommendations would become final, and it doesn't go to the President at all. It goes to Congress.

Senator WATKINS. I would say I don't think you could exclude the President entirely.

Senator MALONE. He was excluded for 75 years.

Senator WATKINS. He had the power to veto.

Senator MALONE. He has it under the 1930 act.

Senator WATKINS. He has the power to veto any legislation.

Senator MALONE. Under the 1930 act.

Senator WATKINS. Under any act, under the Constitution.

Senator MALONE. But he doesn't have the power to veto anything that this Congress does that the Constitution of the United States puts in its hands, and they put it in the hands of their agent, the Tariff Commission, he couldn't veto it any more than he could veto a freight rate set by the Interstate Commerce Commission on the basis of reasonable return on investment.

Senator WATKINS. He could veto this bill to make such provisions.

Senator MALONE. He can veto the bill and he can veto your amendment.

Senator WATKINS. Certainly. I expect that. That is the Constitution.

Senator MALONE. What are the things we should do here, not what the President is going to do.

Senator WATKINS. I can give you my answer to it. I have set forth here in about 15 to 20 pages my answer to the question you are asking.

Senator MALONE. I listened to it carefully, and I think you made a contribution.

Senator WATKINS. I would like you to stand in back of that, and I would like to have your support.

Senator MALONE. You will have my support any time you lay down a principle of the protection of the American workingman's job and the American small investor. My support will not go to any bill that leaves that in the hands of any one man.

Senator WATKINS. I think I have written that safeguard provision so it meets your requirements.

Senator MALONE. I hope so. There is another thing I deplore in this committee and all the people who come before it. They just assume that we will leave it in the hands of one man to make it or break it. So they come in for an amendment. The oil people want a quota. This amendment of mine would also allow them to use quotas. I have put it in the bill. I have put the bill in the record, so it will be available.

Senator WATKINS. I haven't, Senator, and my bill is an overall approach rather than an industry-by-industry approach. If you are going to have an industry-by-industry approach, you might as well have the whole tariff bill back here for Congress to contend with, and I don't think that is desirable.

Senator MALONE. But under the 1930 Tariff Act it doesn't come back to Congress except if it introduces a special bill, if we don't extend the 1934 Trade Agreements Act. You have substantially agreed with that already.

I think you have contributed a lot of good background to this discussion, and I merely wanted to bring out the 1 thing, 1 point specifically, that we did change the entire principle of regulating foreign trade when they passed the 1934 Trade Agreements Act, and you know that the words "reciprocal trade" is not in the act or in the title or anywhere near it except that the name was tagged on by some London bankers like the "dollar shortage" and "trade not aid"; it is just something for us to mouth and sell our people on. But nevertheless it doesn't matter what you call it. We all know what you are talking about. We changed the principle then to allow these international political factors and the meshing of industry in this country which allows one facet of industry to be sacrificed for another to be considered as factors, and allowed one man to determine to what extent these factors are considered. The next point is that if we do not extend the bill at all, we have taken the first step to destroy these worldwide trick organizations. They have games already set to play, providing we put our markets in the game. If we don't, there is no game.

I thank you very much, Mr. Chairman.

Senator WATKINS. I don't agree entirely, Senator, but I thank you.

Senator GEORGE (presiding). Senator Carlson?

Senator CARLSON. May I express my appreciation to the senior Senator from Utah for what I think he has contributed in the form of a very valuable statement before this committee. As I read your statement, I believe you are very much of a realist. You expect us to extend the reciprocal agreements and you want to protect some of our industries or some of the industries that we feel have been injured.

Senator WATKINS. That is right. I want to lay down an overall policy rather than take it industry by industry. I want to set up the machinery by which any efficient industry that is aggrieved or has been injured has an effective remedy, and the Congress will finally

make its decision after the Tariff Commission, or instrumentality, has acted.

Senator CARLSON. During the past few days, past few weeks, we have had a number of witnesses before this committee representing various segments of our economy, various industries, and to me they presented some very strong cases with regard to injury. I take it from your statement, then, that you would want to amend the escape clause so it would really be effective.

Senator WATKINS. That is precisely what I think the bill does. That is what I have tried to do, make it effective.

Senator MALONE. I appreciate very much the appearance of the Senator from Utah.

Senator WATKINS. Thank you, sir.

Senator GEORGE. Senator Bennett.

Senator BENNETT. Mr. Chairman, I want to welcome my colleague before the committee and congratulate him on the real contribution he has made to our basic information, basic understanding of the overall problem. I come along at the end of the list, and I think most of the questions have been asked by this time, but there is one point on which he touched very briefly, and I would like to have him expand, if he would.

Why do you feel it is necessary to increase the Tariff Commission from 6 to 7?

Senator WATKINS. The Commission now, of course, is made up of six, and with an even number you can have tie votes and you don't get anywhere. You don't get a recommendation if 3 are on one side and 3 on the other. In other words, in order to have an effective Commission as a practical matter, we must have 7 members or cut it down to 5. I would rather increase the number because they may have a lot of applications, and 7 members will be more effective than 5. That is purely a matter of practicality.

Senator BENNETT. Under the present circumstances, the Commission makes its report and the fact that there may be a tie vote doesn't free the Commission from the obligation of making some kind of a report, and we produce a minority and a majority report. Isn't that the present status?

Senator WATKINS. If there is an even split, you wouldn't have a majority and a minority report, you would have two reports.

Senator BENNETT. You would have two reports. Does the Senator have any fear about the possible creation under this kind of a situation of a Commission politically unbalanced?

Senator WATKINS. Well, as a practical matter, I think that it might at times be politically unbalanced. It would be in all cases unless you found someone who didn't have a party affiliation whatsoever.

Senator BENNETT. Well, theoretically, at least, the two parties are balanced on the present Commission so that the report—of course, it might be conceivable that it would come out on the basis of political consideration—but there might be a greater chance, perhaps, if it were politically unbalanced in the first place.

That is one of the problems that this committee has to face, the question of possible injection of political considerations, and the opportunity of the Commission to make its decisions on an unbalanced basis.

Senator WATKINS. I will say this, that as far as I can remember from studying the history of the United States there has never been a time when the tariff wasn't more or less in politics. I don't see how you can divorce it.

Let's be realistic and frank about it. If there were 7 members, at least 4 of them would probably be of the same political party. But I don't think that is a bad thing, Senator, because after all is said and done, people decide the policies they want to pursue, then they should be enforced.

We shouldn't have some organization set up here that would make it impossible to enforce the decisions made as to the policy. That is what might happen if you only had six members.

Senator BENNETT. Under the present situation, and the situation envisioned by the Senator's proposed statute, the report would have to come either to the Executive as now, or to the Congress under his program—

Senator WATKINS. Both?

Senator BENNETT. Or both. So, in the final analysis it is not in the hands of the Tariff Commission; it remains a staff organization and not a policymaking organization.

Senator WATKINS. Well, of course the final decision would be in the Congress, but by the method set up here it will in effect adopt the report of the Tariff Commission and make it effective if it approves of it, and it will show that approval by not upsetting the decision.

Senator BENNETT. I think that is all, Mr. Chairman.

Senator GEORGE. Senator Martin?

Senator MARTIN. No, thank you.

Senator MALONE. Mr. Chairman, on this matter of the seven members, I think it is a good idea; I agree with the Senator from Utah. If, like under the 1930 Tariff Act, a principle is laid down under which they shall determine certain information, there would be less likelihood of politics entering into it than if you were under a law where political considerations, international political considerations, could be considered, would there not?

Senator WATKINS. I think they could consider it. It might be that the Congress would want them considered.

Senator MALONE. No; what I mean is that if they laid down a principle like the act of 1930, they don't consider any other factors at all except the difference in the cost, which is more or less factual in any case, and a matter of judgment.

Senator WATKINS. Of course, conditions have changed radically since that time. Now we are in an era where we have to look after our defense. We have got to use every instrument that this Nation possesses to defend ourselves; we can't overlook anything.

Senator MALONE. I think you are right about that, and I don't think we are doing it. But at the same time I am unwilling to sacrifice the small investor—meaning the investor that can't go to a foreign nation and put up a factory to manufacture things and send them back here on the basis of international factors at all, because they are then subject to blackmail—

Senator WATKINS. I would say this, if it becomes necessary to the defense of the country to sacrifice—I won't say sacrifice—we call it sacrifice—we should do at that time the same as we do for a site for a

factory; we condemn it under the law and we pay for it. We might have to compensate some persons whose businesses have to be sacrificed for the common good.

I wouldn't go so far as to say we couldn't do it.

Senator MALONE. There is only one criterion that you can make that statement on, that you buy help by giving them an industry that we now enjoy. I do not believe it is necessary, and I think you will never reach the end of it if you continue it.

What this act has done actually has been to make us dependent on foreign nations for things that we can't fight without, and which we may not be able to get when the time comes to fight.

Senator WATKINS. I agree with you. I think from the standpoint of defense we have got to keep these industries alive. That should be one of the prime considerations in the matter of entering into an agreement in the first place, and the matter of using the escape clause in the second place.

Senator MALONE. That is correct. Under the principle of the 1930 Tariff Act there is no escape from it, they have to use it. But I also agree with you thoroughly that maintaining our economy is probably the top criterion of our safety.

Senator GEORGE. Senator Watkins, the committee appreciates your appearance here.

Senator WATKINS. Thank you.

Senator GEORGE. Mr. Miles Romney.

Senator BENNETT. Mr. Chairman, Mr. Romney is another citizen of Utah, executive secretary of the Utah Mining Association. I want to welcome him to the committee.

Before his material is presented, since it will back up in part the testimony of Mr. Otto Herres, who appeared before the committee last week, I would like permission to insert in the record at this point a certain statement contained in the 91st annual report of the Saint Joseph Lead Co. on the lead-zinc proposition which Mr. Romney will discuss.

Senator GEORGE. You may do so. It will be inserted.

(The information referred to follows:)

NINETY-FIRST ANNUAL REPORT FOR THE YEAR 1954—ST. JOSEPH LEAD CO.

WORLD MARKETS FOR LEAD AND ZINC

On May 28, 1954, the United States Tariff Commission recommended an increase in the import duties on lead and zinc. On August 20, 1954, President Eisenhower rejected the Tariff Commission's recommendation and announced as a substitute an expanded program of buying these two metals for the Government stockpile. The President's message on the subject assured the lead and zinc industries that he recognized that the domestic miners had been unduly injured by excessive imports, and announced that continued study would be given to the problem to determine whether the increased stockpile purchases were the proper solution.

The experience with stockpiling over the past 6 months has proven of limited value for the American mining industry. Miners in the United States are grateful for the strengthening of the domestic market prices of both lead and zinc due to the purchase by the Government of excess stocks, but it must be recognized that domestic production is still decreasing. Lead and zinc producers throughout the world have greatly benefited by the United States stockpiling program, and current quotations on the London Metal Exchange, have reached levels which many observers believe to be higher than required to bring out the necessary production, and probably are adversely affecting consumption.

The stockpile program has the important defect in that it fails to provide any restraint on the large imports of lead and zinc ores and metals which continue to enter our domestic market. President Eisenhower's Cabinet Committee on Minerals Policy has recognized "that a strong, vigorous, and efficient domestic mineral industry is essential to the long-term economic development of the United States," and Washington has further stated that the market prices of lead and zinc must be at levels "that are sufficient to maintain an adequate domestic mobilization base." Your company has advocated the best solution to be moderate stockpiling coupled with a program of assistance in the form of restoration of higher tariff or import taxes, as having the following advantages:

It would have the immediate effect of establishing United States prices at a higher level than the rest of the world.

It would aid the American miner who needs help, but not overstimulate the production from foreign mines.

Due to the higher United States prices the foreign producer would continue to market a portion of his production in our country because he could afford to pay the increased duty and still net the same world market price. The United States would continue to receive sufficient imports to meet the requirements of our manufacturers and consumers.

The regular flow of lead and zinc ores and metal among nations would still be subject to conditions of supply and demand and the automatic laws of the market place, which are fundamental to our economy. As a consequence we avoid the serious risks and objections attached to artificial schemes such as international cartels, subsidies, and other forms of governmental experiments.

STATEMENT OF MILES P. ROMNEY, MANAGER, UTAH MINING ASSOCIATION

Senator GEORGE. Mr. Romney, we will be glad to have you proceed in your own way. If you don't want to yield to questions until you have finished your statement, if you have a formal statement, you may do that. Or you may yield as you go along, just as you choose.

Mr. ROMNEY. Thank you, sir.

Mr. Chairman and gentlemen of the committee, I have a rather lengthy statement which I realize would run considerably over the time allotted to me, so I will ask your permission to speak briefly from the statement and then have the full statement submitted for the record.

Senator GEORGE. Yes, you may submit your full statement for the record.

(The statement of Miles P. Romney follows:)

STATEMENT OF MILES P. ROMNEY, MANAGER, UTAH MINING ASSOCIATION, SALT LAKE CITY, UTAH

I am Miles P. Romney, manager of the Utah Mining Association, which group represents more than 95 percent of the State's nonferrous metal production. I am a graduate geologist and my principal experience has been in the field of mineral exploration. In that field I became acutely aware of the need for a strong domestic exploratory program. Domestic mineral exploration is dying on the vine, so to speak. Mineral exploration activity is almost completely extinct in fields where promise of investment return and profit realization rest on ability to meet both the competition of foreign metals and the obligations of the domestic tax structure.

My testimony relates to the effect of trade agreements on the domestic lead-zinc mining industry in general and in Utah particularly.

Evidence has been presented by Mr. Herres and by Mr. Young to illustrate the damage from excessive imports under the drastically reduced rates of duty on lead and zinc. This evidence was fully documented by the United States

Tariff Commission and was recognized by the President in his letter of August 20, 1954, to Senator Millikin, then chairman of your committee.

The Tariff Commission investigation, conducted in full accordance with the escape-clause provisions of the Trade Agreements Act, as amended in 1951, was initiated by your committee and had previously been strongly suggested by Secretary Dulles and other Cabinet and administration officers in hearings on the Simpson bill. The industry participated in full confidence that should findings of the Commission be favorable for relief in terms of duty increases, such increases would be granted. That the administration could deny the unanimous recommendations for increased duties and that they could offer in lieu therefore untried, substitute measures, illustrates clearly the ineffectiveness of present escape-clause provisions of the present act.

Checks and balances are a basic principle in American Government. The lead-zinc case serves as a classic example of circumvention of that principle. We support Senator Arthur V. Watkins in his proposed amendment to H. R. 1, designed to assure domestic industry that they will be tried and judged by the Congress on escape-clause and peril-point matters, rather than by the executive branch of Government, which prepared and negotiated the agreements containing the suspected injurious provisions.

I would like to emphasize a few of the basic points the President commented on in his letter of August 20, which letter explained his decision not to approve the Tariff Commission's recommendations. He recognized that unemployment and community distress existed and that an adequate mobilization base was not being maintained. He referred to long meetings with Cabinet officers, Members of Congress, and others, held in his concern over the need to maintain a strong and vigorous domestic mining industry. He announced his decision to not grant the recommendations for increased duties on the basis that there existed a serious question as to the magnitude of the direct benefits that could be expected from such increase.¹ He directed the Secretary of State to "seek recognition of the foreign countries which are the principal suppliers of lead and zinc that this increased stockpile buying is designed to help domestic production and that they will not themselves seek to take any unfair advantage of it." This in recognition of the knotty problem of excessive imports.

It is interesting and a bit discouraging to note the nature of compliance with this request by foreign producers.

The Australian consulate general in San Francisco was quoted in the Salt Lake Tribune of January 25, 1955, as follows:

"Australian lead-producing companies expect to increase their sales to the United States as a result of a recent decision by President Dwight D. Eisenhower against imposition of higher duties on lead."

General imports of lead increased substantially after March 1954 announcement of the increased stockpiling plan. Imports averaged 30,069 tons per month during January, February, and March 1954. The average monthly import rate was 11,375 tons per month higher over the next 3 months. For the last 9 months of 1954 the rate was 8,708 tons higher than the first 3, an increase of 26 percent in volume.

General imports of lead, 1954

	January to March	April to June	April to December	Total for year
Total tons.....	90,206	124,332	348,997	439,203
Average monthly rate.....	30,069	41,444	38,777	36,600

General imports of zinc showed a slightly different pattern, but the average monthly rate was 4,904 tons higher in the last 6 months of the year than in the first 6. Stockpile purchases began June 7.

¹The increases would have provided effective duties of 2.5 cents and 2.1 cents, respectively, on lead and zinc metal, an increase of 1.4375 cents on lead and 1.4 cents on zinc.

General imports of new zinc, 1954

	January-June	July-December	Total for year
Tons zinc.....	288,040	317,467	605,507
Average monthly rate.....	48,007	52,911	50,459

Imports have and still continue to exert heavy pressure on domestic mines. Stockpiling has, to some extent, temporarily improved prices of lead and zinc, but has not served to stop the downward trend in domestic production or to stimulate exploration and long-range development investments in search for new ore bodies.

The Cabinet Committee on Minerals Policy, reporting to the President November 30, 1954, wrote strongly on the need of adequate mine productive capacity and of exploration work. Under (c), Mobilization Planning for Minerals, they said:

"The level of production that must be maintained in peacetime for each mineral must be established in order to insure an adequate mobilization base for war. * * * Government must make plans that will enable the mineral industry to retain essential technical and skilled personnel. * * *"

And under (II), Development of Domestic Mineral Resources, they state:

"Mineral resources are wasting assets * * * conservation calls for wise and full use. * * * Ore extracted from the earth does not renew itself, conservation cannot be achieved by locking up our resources for some indefinite use in the indefinite future. * * * Successful mining usually requires long-range planning and substantial investment. Today's mines are the result of exploration, development, and risk taking over a period of many years. Exploration * * * often requires substantial capital—much of which is a total loss. * * * Mines of the future must be planned today—not a decade hence."

The question of continued productive ability of our normally economic mines (considering production costs in our domestic economy) and the present almost complete lack of exploration investments for the discovery of new mines poses a serious threat to both our peacetime economy and our defense needs.

The following data illustrate the downward trend of domestic production caused by excessive imports. Recovery in mine productivity followed the adverse conditions under which the industry operated during the war and proceeded encouragingly to 1950 for lead and 1951 for zinc (postwar, peak production years). The squeeze of excessive imports and drastically reduced prices have since been yearly taking their toll. Both lead and zinc production in 1954 reached a low since the early 1930 depression years, not because we lack actual or potential domestic reserves, but because actual reserves have been turned to waste rock and exploration incentive has been extinguished.

Zinc.—Domestic mine production and consumption of slab zinc, compared with general imports of zinc

Year	Domestic mine production	Domestic mine production as percent of domestic consumption	Imports of zinc—general imports	Imports of zinc as percent of domestic consumption	Domestic consumption of slab zinc
	<i>Tons</i>		<i>Tons</i>		<i>Tons</i>
1946.....	574,833	71.6	376,799	47.0	801,242
1947.....	637,608	81.0	370,271	47.0	786,400
1948.....	629,977	77.0	357,435	43.6	817,700
1949.....	593,203	83.3	368,104	52.7	711,800
1950.....	623,375	64.5	434,547	45.0	967,134
1951.....	681,189	73.0	390,940	41.9	933,971
1952.....	666,001	78.1	563,850	66.0	852,783
1953.....	547,430	55.5	745,542	75.6	985,927
1954.....	446,682	51.1	605,621	69.3	874,290

Lead—Domestic mine production and consumption of new lead, compared with general imports of new lead

Year	Domestic mine production	Domestic mine production as percent of domestic consumption	Imports of new lead—general imports	Imports of lead as percent of domestic consumption	Domestic consumption of new lead
	<i>Tons</i>		<i>Tons</i>		<i>Tons</i>
1946.....	335,475	61.9	155,681	28.7	541,800
1947.....	384,221	51.7	211,814	28.4	744,000
1948.....	390,476	52.5	318,510	42.9	744,000
1949.....	409,908	70.8	384,953	66.5	579,000
1950.....	430,827	48.7	328,586	59.7	885,100
1951.....	388,164	57.2	248,943	36.8	677,700
1952.....	390,161	49.8	415,345	78.7	781,900
1953.....	341,872	43.6	552,308	70.5	784,200
1954.....	322,737	41.5	438,535	56.5	776,500

¹ Estimated.

To summarize the domestic production, consumption and the general import data:

Combined domestic lead-zinc production was 67.7 percent of domestic new metal consumption in 1946, but had dropped to 50.2 percent in 1953 and 46.6 percent in 1954; and

Combined imports of lead and zinc was but 39.6 percent of domestic new metal consumption in 1946, whereas they increased to 73.2 percent in 1953 and 63.3 percent in 1954.

DATA ON WESTERN STATES AND UTAH

I would like to present briefly some comparative data on mining, on employment, and on community economics over the past few years in the Western States, as a group, and in Utah, in particular.

In Western States mining is one of the major industries. The metals after mining, milling, and smelting in the West are sold principally as raw materials to eastern fabricators. Continued operation of the mines is just as vital to the economy of that area as to our foreign friends who protest so violently the suggestion of reasonable measures to insure competitive equality for our mines. I propose to show that in the past few years:

1. Many mines have closed.
2. Production has been seriously reduced.
3. Value of production has been drastically reduced.
4. Earnings for present operating mines are grossly inadequate to support operation, exploration, and related community economics.
5. Milling, smelting, and refining plants are jeopardized.
6. Employment has suffered serious reductions.

1. Mine closures

In 1946, 46 Utah mines reported lead-zinc production and in 1948 after but 2 years postwar recovery there were 74. In 1953, there were 12 and in 1954 but 7 Utah operators reported lead-zinc production to State tax commission.

Many small mines were of exploratory or development status. Under the adverse circumstances, investors of risk money simply withdrew their support and closed the mines.

2. and 3. Production and value

Western States:

Total mine production of lead and zinc metal, 1946-54, in Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, and Washington (Bureau of Mines data)

Year	Total tons lead and zinc	Total market value (thousands)	Percent of 1951		Western States as percent of total United States mine production	Average yearly price	
			Production	Value ¹		Lead	Zinc
1946.....	438,317	\$74,451	69.8	33.1	48.2	8.109	8.726
1947.....	567,089	137,533	90.8	61.2	55.5	14.673	10.500
1948.....	617,881	190,343	98.3	84.8	60.5	18.043	13.589
1949.....	600,269	165,389	95.5	73.6	63.0	15.364	12.147
1950.....	614,237	173,679	97.8	77.3	58.1	13.296	13.866
1951.....	628,514	224,608	100.0	100.0	58.7	17.500	18.000
1952.....	614,196	201,358	97.8	89.5	58.2	16.467	16.215
1953.....	498,748	120,882	79.5	53.8	56.0	13.489	10.855
1954.....	404,687	98,338	64.4	43.7	52.5	14.054	10.681

¹ This is dollar value, not adjusted to purchasing power of dollar, which was 102.8 in 1948, 111.0 in 1951, and 114.8 in 1954.

Individual States show the following comparison for the years 1951 and 1954:

State	1951		1954		Value as percent of 1951
	Total tons lead and zinc	Total market value (thousands)	Total tons lead and zinc	Total market value (thousands)	
Arizona.....	70,393	\$25,310	30,650	\$7,249	28.6
California.....	23,569	8,328	3,580	919	10.8
Colorado.....	86,050	30,776	52,450	12,529	40.7
Idaho.....	154,838	54,979	128,820	32,002	58.2
Montana.....	106,853	38,511	75,890	17,582	45.6
New Mexico.....	51,265	18,555	877	238	1.3
Nevada.....	24,591	8,823	4,590	1,191	13.5
Utah.....	84,768	29,943	76,000	19,057	63.7
Washington.....	26,191	9,390	31,840	7,571	80.6

Market value of lead and zinc produced in nine Western States for 1954 was but 43.7 percent of the market value in 1951. (Two hundred and twenty-four six-tenths million dollars, 1951; compared with \$98.3 million, 1954, which are values at point of sale and should be reduced by about \$10 million to adjust for refining and transportation costs outside of the western area.)

Most Western States levy property taxes on assessed valuations involving value of the production. In Utah the difference between 1951 and 1953 production value would mean approximately \$220,000 less to local taxing units on property taxes only. The impact on individual and corporate income, sales, and many other tax bases, is difficult to calculate, but would be substantial in the combined direct and indirect tax income.

4. Present mine earnings

Data was obtained from the Utah State Tax Commission records on the total receipts for sale of ore (net smelter return) and the reportable cost of producing that ore for all operating lead-zinc mines on a year-by-year basis, 1946 to 1954. The total cost deductions reportable to the State exclude some cost items which a company must consider in determining net profits. The total receipts, allowable deductions, and difference between total receipts and cost deductions are shown below.

The above-referred-to exclusions include cost of:

- Boarding houses, bunkhouses, and dwellings.
- Payments on purchase of mining property.
- Legal expenses.
- Interest.
- Royalties.

Depletion (which is 23 percent of the gross, limited to 50 percent of net).
Insurance (other than workmen's compensation).
Federal taxes.

Data from Utah State Tax Commission records of lead-zinc operations of members of Utah Mining Association, 95 percent plus of Utah operations

Year	Tons ore	Gross receipts net smelter returns	Total allowable deductions	Difference
1946.....	462,655	6,063,385	8,175,446	-2,112,061
1947.....	752,864	14,974,055	13,246,427	1,727,628
1948.....	817,639	19,272,522	15,159,031	4,113,491
1949.....	859,863	14,355,786	13,615,325	720,461
1950.....	686,601	10,982,939	10,691,504	291,435
1951.....	819,716	17,042,300	13,903,602	3,138,698
1952.....	790,751	15,472,409	13,153,647	2,318,762
1953.....	651,824	9,677,975	10,465,815	-787,840
1954.....	693,204	11,391,004	10,135,791	1,255,213
Total.....	6,538,207	119,135,375	108,516,588	10,588,787
Average.....	726,467	13,237,264	12,060,732	1,116,532

¹ 1954 partially estimated—official records not complete.

In only 2 of the last 9 years (1948 and 1951) has the difference after allowable cost deductions been in the range of being adequate to maintain fully rounded mining operations—i. e., extraction, exploration, long-range development, and some return to investors.

Comparison of 1953 and 1954 differences shows improvement. Average metal prices for 1954 were slightly higher (lead average price increased 0.565 cent, but zinc decreased 0.174 cent), but the improvement in a large measure is due to all-out effort by operators to improve efficiency, to elimination of all but immediately necessary work, plant replacement, etc. However, the difference margin realized in 1954, after those efforts, was but 11 percent of the gross receipts and was inadequate to cover even the costs excluded from the basic data used. Proper depletion credits alone would exceed the credit difference.

The mines are simply depleting their reserves, with no return of investment and no provision for future ore reserves.

The effect upon exploration and long-range development is obvious. It has been for all practical purposes eliminated.

As to prices necessary to sustain Utah's normally economic production, we have estimated on 1953 and 1954 experience that a combined price of 30 cents (15 cents lead and 15 cents zinc) would be necessary.

Howard I. Young presented estimates of domestic-mine-zinc production at various prices at the 1954 meeting of the American Zinc Institute. His statement on that matter is quoted in full, but a summary is sufficient to read to you.

He estimated that annual production would be but 225,000 tons at 10-cent zinc, 400,000 tons at 12-cent zinc, 500,000 tons at 14-cent zinc, 600,000 tons at 15-cent zinc.

Mr. Young's full statement on this subject follows:

"While many of the mines operated by the larger companies are continuing to operate today, it is estimated that only approximately 225,000 tons annually of zinc can be produced today on a break-even or profitable basis on a 10-cent market. Less than half of this tonnage can be mined at a reasonable profit when capital charges, overhead, taxes, and depletion are considered. This means that at the 10-cent level only approximately 25 percent of our Nation's needs can be supplied from domestic mines on a break-even basis.

"Only between 10 percent and 15 percent of our Nation's needs can be supplied profitably at the 10-cent level.

"At the 12-cent level the tonnage which can be produced at break-even or better is approximately 400,000 tons.

"At the 14-cent level approximately 500,000 tons can be produced and an additional 100,000 tons at the 15-cent level.

"These estimates assume that the price of lead and silver will remain in the price relationship to zinc that has prevailed since World War II. Also, present-day costs are assumed. I would call to your attention the fact that the production at any given price will never be exactly equal to estimates. There are

always certain mines which will operate for rather a long period at a loss so as to keep the property in good physical condition and maintain an operating organization. Mine operations usually continue until cash operating losses exceed shutdown expense, which in many cases is quite sizable."

5. *Mulling, smelting, and refining plants*

Utah has long been recognized as one of the greatest lead-zinc-treatment centers of the Nation. There are lead-zinc mills in all of the Western States and smelters in Idaho, Montana, Colorado, Utah, California, and Texas, all basically dependent on western ores and concentrates. The mines and treatment plants are mutually dependent. Losses in present production and future potential production of the mines place the treatment plants and their skilled personnel in jeopardy.

There has been a downward trend in volume of ores and concentrates treated in Utah's plants since 1948, which year represents substantial recovery from the strain of wartime production. The 1949-50 excessive import impact, the 1951-52 partial recovery, and the 1953-54 distress are clearly illustrated; 1954 tonnage was but 59 percent of 1948.

Total output of Utah lead-zinc mills and smelters (plants treat Utah ores as well as ore from adjacent areas)

Year	Tons lead	Percent of 1948	Tons zinc	Percent of 1948	Percent of combined as percent of 1948
1948	92,996	100.0	50,523	100.0	100.0
1949	92,446	99.5	50,487	100.0	99.7
1950	75,328	81.0	34,130	67.5	76.2
1951	65,102	70.0	46,738	90.5	77.9
1952	75,527	81.3	50,802	101.0	88.0
1953	55,508	59.6	39,520	78.3	66.2
1954 ¹	52,500	56.5	32,500	64.3	59.2

¹ Estimated

It is interesting, but tragic, to note that in 1954 Utah's plants processed but 9,000 tons of lead-zinc in excess of the State's mine production; whereas, in 1948 the excess was 46,000 tons. The loss is reflected almost entirely in mine closures—closures in the adjacent areas of Montana, Idaho, Colorado, and Nevada, which normally ship to Utah plants.

6. *Employment reductions*

Department of employment security data for the State of Utah show the following comparative data for employees covered by unemployment security in Utah's lead-zinc mines from 1949 to 1954 (1954 estimated by the department of employment security).

	Average employees per month		Average employees per month
1949	2,728	1952	2,257
1950	2,025	1953	1,688
1951	2,404	1954	1,605

The reduction of 1,123 employees since 1949 is a loss of 41 percent. The displaced men have suffered at least temporary wage losses, many have had to sacrifice homes through moving to other communities for employment, and the mining industry has lost skilled personnel.

There is one important point to consider here. Diversification has been held up as an objective for domestic industries, which proponents of free world trade admit have or will be damaged. Diversification may be possible in some industries, but any attempt to change lead and zinc to gold, copper, or titanium is a bit too farfetched to consider. Companies may make future investments in other mineral fields, but investments already made are tied inseparably to the metals developed in individual mines.

To summarize, the objectives of the President, the recommendations of the Cabinet Committee on Minerals Policy, and the hope of the industry for a healthy and adequate domestic mining industry able to function fully in the fields of extraction, exploration, and long-range development, continue to be undermined by excessive imports of lead and zinc. The provisions in lieu of the Tariff Commission's recommendations have been inadequate to attain that goal, for excessive imports, the principal cause of low prices and unstable market, still depress production and stifle investment incentive. It is time to review the situation and seek the "more far-reaching measures" promised by the President in his letter of August 20 to this committee.

We urge full consideration of the amendments proposed to H. R. 1 by Senator Arthur V. Watkins.

Mr. ROMNEY. Unless there is particular need for questions, I would prefer to continue with my statement until I have finished.

I am Miles P. Romney, manager of the Utah Mining Association, which group represents more than 95 percent of the State's nonferrous metal production.

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Mines of the future must be planned today, not a decade hence.

The question of the continued productive ability of our normally economic mines (considering production costs in our domestic economy) and the present almost complete lack of exploration investments for the discovery of new mines poses a serious threat to both our peacetime economy and our defense needs.

Recovery in mine productivity followed the adverse conditions under which the industry operated during the war and proceeded encouragingly to 1950 for lead and 1951 for zinc (postwar peak-production years). The squeeze of excessive imports and drastically reduced prices have since been yearly taking their toll. Both lead and zinc production in 1954 reached a low since the early 1930 depression years, not because we lack actual or potential domestic reserves, but because actual reserves have been turned to waste rock.

To summarize the domestic production, consumption, and the general import data (of which there are extensive charts preceding, showing a complete reversal of the share of the domestic market, by domestic producers and foreign producers); combined domestic lead-zinc production was 67.7 percent of domestic new-metal consumption in 1946, but had dropped to 50.2 percent in 1953 and 46.6 in 1954; and combined imports of lead and zinc was but 39.6 percent of domestic new-metal consumption in 1946, whereas they increased to 73.2 percent in 1953 and 63.3 percent in 1954.

I would like to present briefly some comparative data on mining, on employment, and on community economics over the past few years in the Western States as a group and in Utah in particular.

Continued operations of the mines is just as vital to the economy of that area as to our foreign friends who protest so violently the suggestion of reasonable measures to insure competitive equality for our mines.

In 1946, 46 Utah mines reported lead-zinc production, and in 1948, after but 2 years of postwar recovery, there were 74. In 1953 there were 12, and in 1954 but 7 Utah operators reporting lead-zinc production to the State tax commission.

Many small mines were of exploratory or developmental status. Under the adverse circumstances, investors of risk money simply withdrew their support and closed the mines.

Market value of lead and zinc produced in 9 Western States for 1954 was but 43.7 percent of the market value in 1951 (\$224.6 million, 1951, compared with \$98.3 million, 1954, which are values at point of sale and should be reduced by about \$10 million to adjust for refining and transportation costs outside of the western area).

Senator KERR. I don't like to interrupt you, but I know you want us to understand you.

Let me ask this question. What you are telling us, I believe, is that you produced 64.4 percent as much in 1954 as you did in 1951, but that due to the price of what you produced you received only 43.7 percent as much for what you produced in 1954 as you did for what you produced in 1951?

Mr. ROMNEY. That is correct, sir. That reflects the price drop occasioned by the pressure on our market.

Senator KERR. It is both a serious reduction in production, and even more serious reduction in price.

Mr. ROMNEY. More serious in price, yes.

In Utah the difference between 1951 and 1953 production value would mean approximately \$220,000 less to local taxing units on property taxes only. The impact on individual and corporate income, sales, and many other tax bases, is difficult to calculate, but would be substantial in the combined direct and indirect tax income.

Data was obtained from the Utah State Tax Commission records on the total receipts for sale of ore (net smelter) and the "reportable" cost of producing that ore for all operating lead-zinc mines on a year-by-year basis, 1946 to 1954. The total cost deductions reportable to the State exclude some cost items that a company must consider in determining profits. Those exclusions are listed in the text of my statement.

In only 2 of the last 9 years (1948 and 1951) has the difference after allowable cost deductions been in the range of being adequate to fully maintain adequate mining operations, i. e., extraction, exploration, long-range development, and some return to investors. In 1953 the mines lost, on the basis of reporting to the State tax commission, \$800,000 over the deductions that operators were allowed to report. If we add the nonreportable costs, the losses to lead-zinc mines in the State of Utah would be well over \$1 million for the year of 1953.

Comparison of 1953 and 1954 "differences" shows improvement due largely to increased efficiency efforts and postponing replacements. However, the difference margin realized in 1954, after those efforts, was but 11 percent of the gross receipt and was inadequate to cover the costs excluded from the basis data here used.

The mines are simply depleting their reserves with no return of investment and no provision for future ore reserves.

As to prices necessary to sustain Utah's normally economic production, we have estimated on 1953 and 1954 experience that a combined price of 30 cents (15 cents lead and 15 cents zinc) would be necessary.

Howard I. Young presented estimates of domestic mine zinc production at various prices at the 1954 meeting of the American Zinc Institute. He estimated that annual production would be but 225,000 tons at 10-cent zinc; 400,000 tons at 12-cent zinc; 500,000 tons at 14-cent zinc; 600,000 tons at 15-cent zinc. The price of zinc today is 11½ cents, and the domestic production of last year was a little over 440,000 tons. So it bears out pretty closely Mr. Young's estimates, made previous to the publication of those statistics.

Senator KERR. I don't understand that. Is this 400,000 tons the total of all zinc for the year, or did you have the production of 4 different qualities of zinc, each one selling at a different price?

Mr. ROMNEY. No, that was the actual mine production that might be annually realized if the price remained at that point during the year.

Senator KERR. In other words, if it was worth 15 cents you would have 600,000 tons?

Mr. ROMNEY. If there were 15-cent zinc we might have 600,000 tons.

Senator KERR. He thought it would be 400,000 tons if it brought 12 cents, and it is pretty close to it?

Mr. ROMNEY. It is pretty close to it, because last year's production was 446,000, although it was still going down from the previous year.

Utah has long been recognized as one of the greatest lead-zinc treatment centers of the Nation. There are lead-zinc mills in all of the Western States and smelters in Idaho, Montana, Colorado, Utah, California, and Texas, all basically dependent on Western ores and concentrates. The mines and treatment plants are mutually dependent. Losses in present production and future potential production of the mines place the treatment plants and their skilled personnel in jeopardy.

There has been a downward trend in volume of ores and concentrates treated in Utah's plants since 1948. The 1954 tonnage was but 59 percent of 1948.

It is interesting but tragic to note that in 1954 Utah's plants processed but 9,000 tons of lead-zinc in excess of the State's mine production, whereas in 1948 the excess was 46,000 tons. The loss is reflected almost entirely in mine closures, closures in the adjacent areas of Montana, Idaho, Colorado, and Nevada, which normally ship to Utah plants.

Department of employment security data for the State of Utah show the following comparative data for employees carried by un-employment security in Utah's lead-zinc mines from 1949 to 1954: 1949, 2,728 average employees per month; 1950, 2,025; 1951, 2,404; 1952, 2,257; 1953, 1,688; 1954, 1,605.

The reduction of 1,123 employees since 1949 is a loss of 41 percent. The displaced men have suffered at least temporary wage losses, many have had to sacrifice homes through moving to other communities for employment, and the mining industry has lost skilled personnel.

There is one important point to consider here. Diversification has been held up as an objective for domestic industries, which proponents of free world trade admit have or will be damaged. Diversification may be possible in some industries, but any attempt to change lead and zinc to gold, copper, or titanium is a bit too farfetched to consider. Companies may make future investments in other mineral fields, but investments already made are tied inseparably to the metals developed in individual mines.

To summarize, the objectives of the President, the recommendations of the Cabinet Committee on Minerals Policy, and the hope of the industry for a healthy and adequate domestic mining industry able to function fully in the fields of extraction, exploration, and long-range development, continue to be undermined by excessive imports of lead and zinc.

The provisions in lieu of the Tariff Commission's recommendations have been inadequate to attain that goal, for excessive imports, the principal cause of low prices and unstable market, still depress production and stifle investment incentive. It is time to review the situation and seek the "more far-reaching measures" promised by the President in his letter of August 20 to this committee.

We urge full consideration of the amendments proposed to H. R. 1 by Senator Arthur V. Watkins.

Senator KERR. Thank you, Mr. Romney, for your statement.

Are there questions?

Senator MARTIN. I have no questions.

Senator MALONE. Mr. Romney, you are for this amendment, but if you don't get the amendment, are you still for the extension of the act?

Mr. ROMNEY. Well, Senator, I think that we have made our position clear on this in the past. We have supported the American Mining Congress resolution which favors expiration of the act. Our own association passed such a resolution.

Senator MALONE. Would you put the resolution in at this point?

Mr. ROMNEY. I haven't a copy with me, but I would be happy to send it back.

Senator MALONE. What is the sense of the resolution?

Mr. ROMNEY. We didn't discuss the philosophy of it at great length. Our position is simply based on the fact that the lead-zinc mining industry has never received any benefit whatsoever from the Trade Agreements Act, and every agreement which has been negotiated effecting us has been in the direction of reducing tariffs and rendering our industry less competitive in the national field.

We felt that this amendment had merit, if the act did not expire.

Senator MALONE. You really favor the expiration of the act, but if it is going to be passed you favor the Watkins amendment?

Mr. ROMNEY. That is essentially our position; yes.

Senator MALONE. Now, the American Mining Congress—of course, Mr. Young testified here, and the resolution is a part of the record—has simply said bluntly that they favor allowing the act to expire on June 12, 1955, this year.

I know, Mr. Chairman, that Mr. Bob Palmer is in the room. He is secretary of the Colorado Mining Association. On February 5 at their annual conference—which is one of the greatest meetings of

mining men throughout the United States—this year they passed a resolution saying:

We favor the termination of the Trade Agreements Act, and we oppose the participation of this Nation in any international organization whose purpose is to control the flow of raw materials.

You would go that far, too, wouldn't you?

Mr. ROMNEY. Yes.

Senator MALONE. You understand that if you extend this act at all that the General Agreement on Tariffs and Trade at Geneva continues to act just as it has in the past, but of course, if it is sent to Congress and we disapprove it, then there might be some chance of stopping its operations.

It has been operating since 1947, and while apparently there is no legal justification for it, we have at least abided by the multilateral treaties that have been made, have we not?

Mr. ROMNEY. I understand so; yes.

Senator MALONE. Which have been practically unanimous in lowering our own tariffs. Of course, you are aware that the nations with which we made these trade agreements—they are not trade agreements at all, technically, they are agreements to lower tariffs, that is what they are, aren't they?

Mr. ROMNEY. That is my understanding; yes.

Senator MALONE. Of course they are. And now, when they agree to lower a tariff they have so many ways to get away from it, either through the manipulation of the price of their currency in terms of the dollar, or having a permit for exchange, meaning that before you could get their money to import anything, you would have to go to some Government official and get a permit to do that for a particular purpose.

And then they have a permit system of imports, where you have to go to some other Government official and get a permit to import some particular product. Isn't that true?

Mr. ROMNEY. That is true. It has been that principle, Senator Malone, that I feel has opened our domestic markets, that principle with drastically reduced duties on lead and zinc has opened our own market to the worldwide surplus lead-zinc production, because not only lead-zinc, but other commodities, are excluded generally from other countries on the basis of such practices as you speak of, and it has simply funneled surplus production to our markets.

Senator MALONE. That, of course, is true. Now, the United Nations Assembly has passed a resolution setting up another trick trade organization, worldwide, that will purport to divide the market on the basis of—one of the resolutions of one of these trick organizations is on the basis of "entitlements for consumption." What has that been interpreted by you to mean?

Mr. ROMNEY. That was the philosophy of the International Materials Conference.

Senator MALONE. That was sent to take the place of the International Trade Organization, which was not accepted by Congress.

Mr. ROMNEY. That is right, when the Senate repudiated it.

Senator MALONE. And the International Materials Conference was the product of the State Department, which, of course, is generally known to have led all these trade negotiations for 21 years, isn't that about true?

Mr. ROMNEY. Yes.

Senator MALONE. Now, if we do not extend this act, all of these extraneous organizations die on the line, don't they?

Mr. ROMNEY. I take your word for it. That is my understanding.

Senator MALONE. That is the best information that I can get, because it is just like a sucker poker game, if the man with the money doesn't sit down, why, then, there is no game. And if we go back to our Tariff Commission on the products upon which there are no trade agreements, then upon the cancellation of any trade agreements by an order of the President—which he can do at any time—these decisions revert to the Tariff Commission, on the principle of fair and reasonable competition which was adopted by Congress many years ago for the development of the whole country. The tariff will not be adjusted just for the benefit of certain areas, and dry up certain other areas because of political international considerations or domestic relations between industries—then if we are on that definite policy of fair and reasonable competition, that difference of cost becomes our tariff, and then our markets are not in that international pot; are they?

Congress could take them out of the pot by just not extending this Trade Agreements Act, and by the President's canceling trade agreements already made, like on lead and zinc?

Mr. ROMNEY. Yes.

Senator MALONE. Now of course you are familiar—and this is only for the benefit of the record—with the fact that when you made a trade agreement on lead or zinc, for example, and on any other product, with any certain nation—

Mr. ROMNEY. Most-favored-nation clause?

Senator MALONE. Most-favored-nation clause, under that clause every nation in the world gets that advantage, do they not, that is, that are a part of this general organization?

Mr. ROMNEY. That is my understanding.

Senator MALONE. I think there are about 55 of them that are members.

Now, you are aware—you were here this morning when I read Secretary Dulles' testimony, when he said upon cross examination that it was his understanding that the so-called escape clause is not designed to protect any particular element in American industry from injury.

He also said:

I do recognize that the competition, whether it is domestic or foreign, does injury, and it injures, first, the weaker and less economical units in an industry.

That would be the smaller investors?

Mr. ROMNEY. Yes; I heard that testimony. I was particularly impressed with Senator Millikin's analysis of it when he simply called attention to the fact that that was not in conformity with the law as presently written.

Senator MALONE. Well, it is in conformity with the law as presently written.

Mr. ROMNEY. Secretary Dulles' viewpoint was not in conformity with the law as presently written. Senator Millikin simply stated that the escape clause and peril point were there and gave protection in intent, but have been interpreted otherwise.

Senator MALONE. I am glad you are emphasizing this point. When we change the principle from the basis of fair and reasonable competition which was laid down in the Tariff Act of 1930 to the basis of including political factors abroad and the meshing of industry at home in the law, abandoning the principle of fair and reasonable competition as a sole criterion, then it is left to one man, the President of the United States. Regardless of any escape clause or peril point according to law the President does not have to consider anything but what he considers the more important thing for the United States of America, which is giving away a large portion of the zinc-lead industry because of political factors, for example. Isn't that true?

Mr. ROMNEY. The lead-zinc tariff case is the classic example. That is why I think we can serve industry best by emphasizing that.

Senator MALONE. Then do you think that Dulles misunderstands the law when he says:

I do recognize that the competition, whether it is domestic or foreign, does injure, and it injures, first, the weaker and less economical units in an industry—
Why do you think that is the law?

It is the law.

Mr. ROMNEY. I am not a lawyer, and I don't intend to interpret the remarks of Mr. Dulles. But I was impressed by Senator Millikin's viewpoint.

Senator MALONE. So was I. I was impressed 4 years ago and 6 years ago and 8 years ago by the argument that we were going to have something that would protect industry.

But every time you put some additional discretionary power in the President of the United States, and he gets his advice from his own advisers, he is the sole judge.

Therefore, all those amendments up to now—I can say to you without fear of contradiction—have merely served to wet the public down for another 2 or 3 or 4 years and give the people the impression that they are going to be protected.

But they are not protected. You agree with that; don't you?

Mr. ROMNEY. I do most sincerely.

Senator MALONE. You are a practical man, and I think the history of this thing for 21 years is very practical. It has done three things.

It has lost the jobs of American workingmen and sent them to foreign soil.

It has destroyed small investors.

It has made us dependent upon foreign nations for many materials across major oceans that we can't fight without and can't get when the fight starts.

Mr. ROMNEY. I agree with you wholeheartedly on all three scores.

Senator MALONE. Now, we might just as well get down to bedrock here, because it is all right to talk and make a fine speech about it, but when you get down to the last sentence, somebody makes a decision.

Who makes the decision? The President of the United States. And he makes it on any one of these factors included in the 1934 act; isn't that true, political considerations?

Now I am not going to argue with you or anybody that that might not be an appropriate consideration in buying up a nation like Italy or England, that that might not at the moment be considered im-

portant. But it is the first time in the history of the United States that you have ever put the American workingman's job and the small investor's money in the pot; isn't it? Did you ever know of it before in any other act?

Mr. ROMNEY. I referred to that point in my statement. It is inconsistent with American principles of government to have the person, if I may use the word in a broad sense, suspect of damaging someone else, also be the judge of whether or not he had done so. It is inconsistent.

Senator MALONE. Well, I think you had a fine paper, and I think you have contributed to the information of the committee.

There is no question but what your industry has been damaged, it is only a question of whether Congress is going to do anything about it or not.

Mr. ROMNEY. That is right.

Senator MALONE. It is just that simple, or laying down a principle so that it cannot be further injured and can be further protected, that is the only question before this committee and before Congress.

Now, you say that it has done two things, that it has slowed up investigations, explorations for new material.

You also said—and you are exactly right—that it has cut down the incentive for investment. Now, why has it cut down the incentive for investment? Because you may hit the richest ore deposit in the world, and the President can come along and break it up tomorrow.

Mr. ROMNEY. I don't think we get quite that far in our considerations, the President breaking it up tomorrow.

Senator MALONE. I am not talking about any one President; I am talking about the office, no matter who is in it. I have the highest regard for the integrity of the President. I think he thought he was doing the best he knew how for the United States when he turned down that relief for the zinc-lead industry. I am not discussing what he thought in his decision, whether he thought it was right of wrong. I am sure he thought it was right. I am discussing the advisability of putting the investors and the workingmen's jobs of this Nation in the hands of any one man to decide beyond the jurisdiction of the United States Congress where the Constitution lodges that responsibility, in article I, section 8, that is what I am talking about.

Do you agree with that, that that is not sound?

Mr. ROMNEY. Yes, sir.

Senator MALONE. Well, then, the thing that slows up an investment is because after it is made it can be destroyed; isn't that it?

Mr. ROMNEY. It is just simply lack of reasonable certainty upon which an investment must be based.

Senator MALONE. Many special writers and other people are saying that we are abusing the President. Far from it. There are three branches of Government set up in the original Constitution of the United States. And I am still for it. In other words, the President of the United States is to administer the laws, we are to pass them, and the judiciary is to see whether or not they are constitutional, if there is anything wrong with them, when they are brought to them. Isn't that right?

Mr. ROMNEY. Yes.

Senator MALONE. Well, if we don't extend this act at all, then, you are exactly right in your resolution. We do then revert to the constitutional government, at least it is the first step to the reversion to constitutional government, isn't it?

Mr. ROMNEY. Yes. I do agree with you there, Senator.

Senator MALONE. And if there is anything in the world we have talked about for 15 or 20 years it is a reversion to constitutional government; isn't that about right?

Mr. ROMNEY. Yes.

Senator MALONE. So all these people ask in Utah, or Nevada, or Maine, with their clothespins, or down in some Southern State with their textiles, is a principle such that when they invest their money in a competitive business they only have to compete with people that pay the same wages, same taxes, that have the same costs of doing business as everybody else does, or else there will be a duty, as the Constitution calls it, to make up the difference; isn't that it?

Mr. ROMNEY. That is right.

Senator MALONE. And they know that is the principle laid down by Congress, and in order to change that there would have to be a bill introduced and hearings held in this committee and the House Ways and Means Committee and a long drawn-out procedure to change the principle. Isn't that the reason they invest their money?

Mr. ROMNEY. Yes, on the basis of reasonable expectancy of return for their risk.

Senator MALONE. You and I have talked this over many times.

Mr. ROMNEY. We have.

Senator MALONE. And I know we agree on one thing, that you can finally get the businessmen to the point, and the investors, to the point that no one will invest any money until the Government is a partner. It is that way now.

Mr. ROMNEY. That has happened in our business.

Senator MALONE. Now, the people have changed their idea on principle—I will ask you this question. Is it your observation that the people who have changed now to what you might call virtually free trade, or at least a lowering of the duties, the investors in this country who are large enough to put up branch operations behind the low-wage curtain and import goods, isn't that right?

Mr. ROMNEY. That has happened to a general extent.

Senator MALONE. Do you know anybody else that is for it? If you stop to think a while you will divide the line there, the investors that are big enough and of such a nature that they can go behind the low-wage curtain, whatever nation it is, make the product, and ship it in here, have now changed their position—not all of them, because some of them still look for the good of the country and think it is a short-sighted policy—but do you find anybody else on that side? I think there are very few, don't you?

Mr. ROMNEY. I think you are generally right. It is a very broad field, however, and it will take considerable study.

Senator MALONE. The people, then, that are for this principle of fair and reasonable competition and setting up a Tariff Commission, which was done in 1930, and giving them one principle, fair and reasonable competition, determination of the cost of an article produced here and that of an article in the chief competitive nation, and recommend that as the tariff, that is the principle that the people are

for, the working men in this Nation, generally speaking, and the small investor—small for the purpose of this statement, they are too small, or not of a nature that they can put a branch plant behind the low wage curtain and send the stuff here—isn't that about true?

Mr. ROMNEY. That is about right. And basically fair competition is the principle which our industry felt justified our asking for protection to insure our competitive ability.

Senator MALONE. Why, that is all anybody asks, so that he can see his competitor. It is just like—it wouldn't make any difference whether it was across an ocean or adjacent to us, whether it is Mexico or India, you have low water transportation between you and the cheap labor, isn't that right?

Mr. ROMNEY. That is right.

Senator MALONE. So the chief reason that you have closed 34 out of your 46 mines, not considering the small exploratory operations, in the short space of 6 or 7 years, is simply because the operations are uneconomic under the present principle of trading them off for foreign political considerations, isn't that true?

Mr. ROMNEY. And the larger ones remaining in operation are essentially doing the same thing, depleting our reserves without the profit to justify them doing so.

Senator MALONE. Perhaps so. You and I know that out of the twelve that remain, they are gutting their mines.

Mr. ROMNEY. That is right.

Senator MALONE. They are trying to hold out in hopes that Congress will reconsider this thing and get back on a principle, isn't that right?

Mr. ROMNEY. That is right.

Senator MALONE. I wouldn't know, but you probably would. How many of that 12 will be operating 2 or 3 years from now: practically none of them?

Mr. ROMNEY. Unless they have more money to keep pouring in to maintain losses or maintain mines that are partially closed, the limit that they can go is the limit of their financial resources. The larger companies have more resources that they can devote to that.

Senator MALONE. There are only a few reasons why a person maintains a losing operation. One is that he hopes for better times before he runs out of money. Isn't that true?

Mr. ROMNEY. That is right.

Senator MALONE. And the other is that he hopes to write off some losses where he is making too much money.

Mr. ROMNEY. That is also true. But in many cases it would cost them more to shut down the mines and pay the cost of maintenance than it would to continue to operate and take the loss.

Senator MALONE. If they don't do it they lose their entire investment, and so they hang on and hope Congress will take cognizance not only of this industry but all the industries in the country and get back on some basis of protection, isn't that right?

Mr. ROMNEY. That is right.

Senator MALONE. On that second thing, the matter of maintaining an investment that is losing when you have another one that is making too much, we have two different kinds of ranches in my State, we have ranchers and agriculturalists. A rancher is a man that makes his money on the ranch and spends it in town, and an agriculturalist

make his in town and spends it on the ranch. Those in the first category, the producers, are hanging on by their eyebrows figuring that Congress just can't continue extending the Trade Act permanently, isn't that right?

Mr. ROMNEY. That is right, sir.

Senator CARLSON. Mr. Romney, I wish to state that you have painted a picture of the Utah section and the western mining industry that I think is duplicated in the tristate area of Oklahoma, Kansas, and Missouri. So I am sympathetic with your problems.

Mr. ROMNEY. Thank you, sir. I simply quoted our area because I am most familiar with it. But in running down the statistics I find that they apply to Oklahoma and Kansas equally.

Senator BENNETT. I want to commend you for the very practical and down-to-earth presentation you have made by presenting the actual figures for the industry. This isn't a fanciful process, it is a process that has been actually going on and is still going on. I appreciate your service to the committee.

Senator MARTIN. Mr. Chairman.

Senator KERR. Senator Martin.

Senator MARTIN. I think we all appreciate greatly the fine men from all over the Nation that have come before the committee and given the situation as it relates to their various localities. Of course, as you understand, this committee and every committee of Congress must look to what is best for the United States as a whole. But regardless of our position, I think we all want you to know that we appreciate fully your local problems, and we want to do the things that will be helpful. But we must always bear in mind what is the best for the Nation as a whole.

Mr. ROMNEY. Thank you, sir.

Senator KERR. Thank you very much, Mr. Romney.

Mr. Batt of Philadelphia.

Senator MALONE. Mr. Chairman, I would like to see Mr. Robert Palmer, secretary of the Colorado Mining Association, called, not today or any particular time, I just bring it up now as a matter of record.

Senator KERR. I would like to hear him also.

Senator MARTIN. Mr. Chairman, I would like to present Mr. Batt. He is a very eminent Philadelphian and Pennsylvanian.

STATEMENT OF WILLIAM L. BATT, PHILADELPHIA, PA.

Mr. BATT. Thank you, Senator.

My name is William L. Batt. I live in Philadelphia, Pa. I am retired from business. I wanted the opportunity to speak in behalf of this bill to this committee because of certain experiences that I have had with the problem.

Senator CARLSON. May I ask Mr. Batt if he is not the president of the SKF Ball Bearing Corp.?

Mr. BATT. I was, sir.

Senator CARLSON. I have known Mr. Batt for many years.

Mr. BATT. Thank you.

In that connection, I have had 40 years' experience in the manufacture of precision articles. But I thought more particularly I would speak of my experience with the War Production Board, of

which I was Vice Chairman, and my experience with the combined boards during the war, Raw Materials and Production, as well as the last 3 years when I was in London and Paris as an Administrator for Economic Affairs and chief of the ECA mission, which I think gave me some insight into 2 aspects of this problem, upon which I propose to speak very briefly for a moment.

The first one is this question of the preservation of workers' skills. The approach is made by many to this committee for general relief under the Tariff Act on the ground that their industry is vital to the security of the country, and of course that is vitally important to all of us. And the statements are repeatedly made that this or that industry must be protected because of its contributions to national security.

Now, I want to say that I think under that umbrella a great many things have been said by well-meaning individuals that are not supported by the facts. We had that problem in the last war. And it was amazing what American industry could do. And if they could do it then, they can do it even better today. It was literally impossible to find a thing which some part of American industry couldn't produce. And I will go so far as to say that if we had no watch industry—and I realize this is a very controversial issue that I raise—if we had no watch industry and we had a national emergency, that there are any number of companies in this country that could produce a perfectly satisfactory watch. I am quite sure that it wouldn't be as low in cost. But they regularly demonstrated, these American companies, during the war that they can tool up to do anything which the national security requires.

One reason that is true in the United States, gentlemen, is because of the quality of managerial skill. One can say with complete safety that the greatest asset which America has in its security position is the unique quality of American management. When I say that I am in no way comparing American labor unfavorably, that is the last thing I intend to do. But there are good skilled laborers in other parts of the world. There is no management generally in other parts of the world that compares with that in America, and that is why in the last war that quality of resourcefulness of American management enabled companies to produce articles of precision which they had never made before, simply because they applied modern management methods to that problem.

So I say that when we lay too much emphasis on the preservation of an industry simply because it contributes to American security in time of an emergency, we ought to be very sure that we have a situation in which that is a real fact and not an assumed one.

It seems to me, having lived through one war, that we ought to conclude that if we get into another one it will be wholly different from any that we have had any experience with in the past. Certainly that is true of World War II as compared to World War I. And any formula by which we attempt to departmentalize skills today, specific skills, put a fence around them and say that those particular skills would be useful for that particular purpose in the event of another war, I think, is a very questionable philosophy. It seems to me that the best insurance that we can have for meeting that uncertain emergency, uncertain as to its character, is the development of a maximum

of ingenuity and alertness and enterprise on the part of American management.

There is no one thing that does that, gentlemen, like competition. The reason why America is so successful—I say this now after a background of many years in dealing with European countries—is so successful in producing these goods that other countries abroad want to buy is because we live in a competitive situation.

Now, competition always produces headaches for the producer. And anyone who has run a business and lived with competition knows how it hurts. But at the same time we wouldn't be the great producing Nation we are if it were not for competition.

When tariffs propose to reduce the need for that ingenuity and enterprise and brilliance of managerial judgment by any kind of artificial assistance, then one begins to weaken that resourcefulness in that management and in that industry.

I think that is enough to express my point of view with respect to the problem of special skills against an emergency of the future.

Senator MARTIN. Mr. Chairman, does the witness desire to go clear through, or would he care to have questions as he goes along?

Mr. BATT. I will be glad to have you interrupt me if you wish.

Senator MARTIN. You are very familiar with the development of our managerial skills and the skills of labor in our country.

Could we have had, we will say, the United States Steel Corp. if, starting back 65 years ago, we hadn't given that infant industry some help and production through a plan of tariff?

Mr. BATT. I think that was undoubtedly wise.

Senator MARTIN. And don't you think that because we have these great corporations like the United States Steel and General Motors and General Electric and all the others that I might mention, that that is the reason that we have this great managerial skill in America, that they have trained young men to take responsibility and to work out new methods?

Mr. BATT. That is undoubtedly a very substantial contribution. And I think for a new and developing industry there will be times when some production is desirable in the national interest.

Senator KERR. Senator, may I interrupt just a moment?

Senator MARTIN. Yes, sir.

Senator KERR. The chairman has sent word up that when Mr. Batt has finished the committee will recess until 2:30, so if there are others here who want to have that information to determine their own course of action, that will be the procedure.

Go ahead, Senator.

Senator MARTIN. Doesn't the same apply to developing the skill of our workingmen? Now, you and I come from a State that has a great diversity of industry. My recollection is that we have 17,000 different industries in Pennsylvania. And I have gone into many of them. I was interested—as you know, as Governor of the Commonwealth during the Second World War, part of my job was to go out and spur on production—tanks and guns and everything that we needed to defend ourselves. And that was a thing that I noted, that there were many places where the men were willing. And to my mind willingness is the thing that makes a great workman, it makes a great soldier—his intelligence is important, but willingness is the No. 1 thing.

But take, for example, Berwick, where we produced tanks. I went up there and looked that over. And the men were working hard—

Mr. BATT. That was American Car & Foundry, wasn't it, Senator?

Senator MARTIN. American Car & Foundry. They were working hard, and they were persistent. You just didn't get a finer group of men. But they hadn't the experience in that line of work. When I first went up there in about 1943, we were getting out—oh, if we got out a hundred tanks in a month we were doing well. And after a year these men had become trained and skilled in their work, and we were running out a hundred a day, and running them off on their own power.

Now, what I am getting at, if we don't have something to protect the jobs of our American workmen, I am fearful they won't have the skills.

Now, you have got fine ideas, and you heard me probably express myself a moment ago, that we have got to do the thing that is best for the country as a nation. But on the other hand, up there in Pennsylvania now we have a great number of unemployed men who are very skilled in their various skills, and I just feel so badly when I see man who is willing to work and wants to work and has a skill and he doesn't have a job.

Mr. BATT. That is right. So do I, Senator. And that is a desperate, unhealthy situation in our economy. And it is in spots around the country. We had it in Scranton all through the war, which you remember very well.

Here is something I put in my pocket thinking I might use it. One of your constituents is a man by the name of Maynard, he is one of the outstanding management people in the world. He was chairman of the American section of the International Management Union, and of the American unit of the Management Union also, and he said yesterday or the day before yesterday:

The best answer for American industries to increased foreign competition is further application of advanced techniques rather than protective tariffs.

While conceding that tariff protection is sometimes necessary on a temporary basis, he maintained that:

A tariff which permits a company to continue to do business without the necessity for improving its methods is a dangerous expedient.

And he goes on to say that it provides the basis for future decay.

Senator MALONE. Who said that?

Mr. BATT. H. B. Maynard, of Pittsburgh.

Senator MALONE. Who is he?

Mr. BATT. He is the president of an organization called Management Methods, or something of that kind. He is regarded as one of the outstanding consulting engineers in the United States, particularly on advanced management methods.

The other point I wanted to make had to do with this problem as it relates to our relations with the NATO countries, which I saw at close range for something over 3 years, because I was a representative of the Defense Department in the NATO Defense Production Agency, and I helped set up the production division of NATO in Paris.

Now, the important thing that I think has to be taken into account here is how this NATO group, about which I know most, will look

at a decision we will make on this particular point in the United States. Now, we have been driving, ever since the Marshall plan was inaugurated—I say “we,” I mean the representatives of the United States in Europe—we have been driving them through the specific directions of this Congress to improve their efficiency, to improve their competitive spirit, to sell goods abroad, to try to put themselves in a strong economic position so that they can do what they ought to be able to do toward the defense of the world vis-a-vis Soviet Russia. And we have been saying to them, “Go out for larger markets,” “Improve your merchandising methods,” and so on, and so on. In other words, do the same as we do.

Senator MALONE. Do they trade with each other?

Mr. BATT. They do, Senator. But I would be the last to defend many practices that were developed in Europe.

Senator MALONE. Do they trade with each other along the lines that you advocated without any tariffs at all?

Mr. BATT. They have tariffs the same as we do, or higher. In some cases we will have them higher, in other cases lower.

Senator MALONE. In most cases they are higher, aren't they?

Mr. BATT. Not necessarily.

Senator MALONE. I think I will furnish and insert into the record the tariffs in England and other European nations, because you can't get American products in there at all, like automobiles, and some other products which we would like to sell there. You know that?

Mr. BATT. I know that is true to an extent. I know that our representatives—

Senator MALONE. When you make trade agreements—which are not really trade agreements, they are agreements for lower tariffs—you agree that they lower the tariffs, don't you?

Mr. BATT. They do other things besides lower tariffs. Sometimes they only bind the rate.

Senator MALONE. They bind the rate of tariff, that is all, isn't it?

Mr. BATT. They enable us to work on this problem with these countries to the end that they shall reduce their restrictions as much as possible.

Senator MALONE. They enable us to work with them, they enable us to put our markets in the pot, while about 40 nations arrange these multilateral tariffs at Geneva, do they not?

Mr. BATT. No. We negotiate with these countries—I have never been a part of that actual operation.

Senator MALONE. Neither have I. But I have tried to study it, and I want to say to you now that I think you have a very fine objective—all of us have the objective of free trade—but we do have, some of us, different ideas of reaching it.

As I understand it now, you think in this letter that was just inserted in the record from a distinguished engineer in Pittsburgh, as I understood you to say—I have not met him—that a tariff should not be maintained at all on foreign competition.

Mr. BATT. He did not say that, Senator, and neither do I.

Senator MALONE. What does he say? Let's dig the letter up.

Senator MARTIN. Senator Malone, would you allow a short insertion here?

Senator MALONE. I would like very much to, but I want to come back to this letter.

Senator MARTIN. I think it would be very helpful. This is from the report of the Commission on Foreign Economic Policy, better known as the Randall report. And on page 85 there is this statement from Senator Millikin, a very eminent Senator, and one of the best versed men along the line. And I would just like to read it at this point:

However, there is much difference in the American worker's view toward his own Government and our political system and his conception of individual freedom and dignity according to whether his difficulties are created by the vagaries of demand and supply or whether he is being pushed around by a central government trying to lay the duty with our economic system.

Now, I feel that that is a very carefully thought out statement by a man who has given it much study and consideration.

Thank you, Senator.

Mr. BATT. I fully agree with you.

And I wanted it well understood that I was making no invidious comparisons between American labor—

Senator MALONE. What I am trying to do, and I want you to understand this, Mr. Batt, I am trying to get into the record your viewpoint. Now, think it through just a little while, and go ahead and make any statement you want to make.

Mr. BATT. I want to say that one of the reasons we can get production out of American labor is because of the confidence which American labor has in the American economy, which includes political economy, and the management with which it has to work. I don't think there is any country in the world in which this process of automation, as they call it, can go ahead with as little difficulty as here in the United States. Labor understands the problem.

Senator MARTIN. Senator Malone, if you will permit the interruption—

Senator MALONE. Yes, sir.

Senator MARTIN. Now, I have differed—and from a political standpoint a great number of leaders among labor organizations have been opposed to me. But in the room right above, I met with 75 labor men one day last week, and their intelligence relating to the various things pertaining to our Government makes you feel awfully proud and confident. And in my military work there have been many times when I needed certain skills—bridge construction, road construction, and things like that—and I would send out for volunteers, and they would respond in a magnificent way. And I have always felt that was due to the fact that we have strong competition. But we still were giving them jobs to do that maintains their families in a dignified way, and so on.

Now, we appreciate your coming here, and your giving us some fine ideas, but I just wanted to bring that up.

Mr. BATT. I understand that perfectly.

Senator MARTIN. Thank you.

Senator MALONE. That is all right.

I am very much interested in this letter. What Mr. Maynard has said about tariff protection providing the basis for future decay, no one has ever talked about protecting anyone here from domestic competition, have they?

Mr. BATT. I haven't heard the testimony, Senator.

Senator MALONE. I suppose you know that anyway, because it would be against the Constitution of the United States.

Mr. BATT. If you really want an opinion from me, since I am not a lawyer, may I have the question restated?

Senator MALONE. Yes, sir.

Read the question, Mr. Reporter.

(The question was read by the reporter.)

Mr. BATT. No; that is just one of the things we have to live with, competition between ourselves.

Senator MALONE. But don't we like it? I think we do.

Mr. BATT. We don't like it in any particular case affecting ourselves.

Senator MALONE. I was in the engineering business for 30 years, and I liked it.

Mr. BATT. Let me speak for myself.

Senator MALONE. All right, you speak for yourself.

Mr. BATT. Whenever a competitor comes in and takes your market and cuts your price you are very unhappy about it, you are very uncomfortable.

Senator MALONE. You may be unhappy, but the Constitution of the United States says you must meet it or go out of business.

Mr. BATT. That is right.

Senator MALONE. Now, this man says, "Technology urged in place of tariff." He can only mean technology in place of tariff protection from foreign competition.

Mr. BATT. Undoubtedly.

Senator MALONE. Now, we have established that fact. You do know that American businessmen—and God bless them, I am all for them doing it, if I were 20 years younger I would probably have an engineering office in South America some place, maybe 2 or 3 of them—but I do not blame them for the fact that the countries behind the low wage lines are making the stuff and shipping it in here without an adequate tariff, without this differential of wages and standards of living represented in a duty or tariff, I blame a Congress that makes that possible or profitable. So I only want to know what you think about it. You do not believe that a domestic producer should be protected by a duty, as the Constitution calls it—we have come to call it tariff, or import fees—to any extent against an organization producing the same product or a like product and shipping it to this country from a lower wage country where he can use his own machinery and his own direction.

This management that you talk about—and I heartily agree with you, it is the best in the world; we are taking it all over the world, as you know we are just as effective in Italy, as we are any place else if we are given the men to train. Despite this you do not believe—and this man apparently does not believe—that there should be any duty protecting domestic industry in regard to the differentiation between wages or taxes or anything else that we pay here and a competitor foreign country.

Mr. BATT. I don't know what he had in mind, I can only read what he says.

Senator MALONE. I will interpret his; I want you to interpret yours.

Mr. BATT. I know what I have in mind. I am not a free trader.

Senator MALONE. What are you?

Mr. BATT. I think there are times when a tariff is in the national interest.

Senator MALONE. What are those times?

Mr. BATT. Well, in the first place, if you really have a security situation where the country's best interests require that an industry or a part of an industry be kept going, some means ought to be found to have that operation going. The Randall Commission, as you will remember, discussed at great length a proposal of one of the members.

Senator MALONE. I remember all about the Randall Commission. It didn't go very far.

Mr. BATT. Where there was some special fund—that fund might be put up by industry or Government, by which industry might be subsidized for that particular security purpose, recognizing that we were attempting to meet a security problem, and we were taking it at a security cost. An industry which is beginning to grow, which is getting underway, which is useful, and which may need some help temporarily, I have no objection to its having it. I want to be quite sure, Senator—if I were sitting on the Tariff Commission, I would want to be quite sure of one thing: Is the industry which asks protection as efficiently run as possible?

Senator MALONE. Don't you know that is in the law?

Mr. BATT. Theoretically the law directs that to be done, Senator. Practically it is a virtual impossibility for the Tariff Commission to do it.

Senator MALONE. I don't think it is. But that is a matter of opinion. I think that a good Tariff Commission that has its staff, as our own has—sometimes I might agree with it and sometimes not, but I have to do it on the basis of facts, and they can take those things into consideration, and do.

Mr. BATT. In the first place, Senator, they can't get the facts. The facts as they need them to carry out the will of the 1930 act are not generally to be obtained in Europe.

Senator MALONE. You know this, that you can try it, and if it isn't right even the women and children will know it in about 60 days, don't you? And then you can bring it up on your own motion, and it is like hitting a target in field artillery, you may miss it the first time, go over it, and you might be under the next time, but if you split that bracket you are going to hit it, aren't you?

Mr. BATT. You see, Senator, the intention of that 1930 act—

Senator MALONE. What was the intention of it?

Mr. BATT. It is certainly to create a flexible tariff mechanism.

Senator MALONE. For what purpose?

Mr. BATT. I presume for the purpose of providing such protection as would keep imported goods from coming in at lower prices than those charged by the domestic producers.

Senator MALONE. Not those charged, the difference in the cost of production between those produced by the American standard of living wage and the taxes and the labor protection that you give them here and like articles that were made in a foreign country under much lower-wage standards, and in some place without taxes, and with no protection to labor. Now, that is what it is supposed to represent. And a cut-and-dried method is pretty good.

Mr. BATT. May I attempt to answer your question by one further statement?

Senator MALONE. Yes.

Mr. BATT. The method of determining costs which is almost universal in the United States does not generally exist in the continent of Europe. There are no certified public accountants as a profession in the continent of Europe. There is in England, but not on the Continent.

Senator MALONE. You do have, though, the landed cost?

Mr. BATT. You have the price at which the goods are sold in the foreign countries.

Senator MALONE. And the landed cost?

Mr. BATT. You do not know what the cost of production is.

Senator MALONE. Of course, you don't, because we furnish the money to subsidize them over there, and they subsidize the food, and they subsidize them in various other ways, like the money you exchange—for example, like in France—I do not pick out France as being a special violator of the setup, I think they are all alike, practically—but when they sell a product and get a dollar, if they want that product exported they will give them a certain number of francs for the dollar, if they don't want it they give them a lesser amount for the dollar. Isn't that a fact? That is just one example of how it is done.

Mr. BATT. Not to my knowledge.

Senator MALONE. Well, it may not be to your knowledge, I am telling you it is a fact, and it is being done right along. Now there are other ways of doing it, of defeating any trade agreement, any trade on setting tariffs. I am not talking about their defeating it, they are all defeating it, it is a one-way street, but I am asking you if you want to go on record as believing that American labor and small investors—and a small investor is described as one either not of a size or nature to go behind the law-wage curtain and set up a factory and get the American taxpayers to pay for it and operate it and bring the goods back—what is your attitude?

Mr. BATT. I have heard you ask a question, and I am glad you asked me, because I think one must take into account the labor that is represented in the jobs that are represented by our exports. We export goods from the United States—

Senator MALONE. Go right ahead. This is wonderful.

Mr. BATT. Those jobs are generally highly manufactured articles, as distinct from raw materials, which comprise a good part of our imports.

Senator MALONE. Go right ahead.

Mr. BATT. And those exports, as we all know, are paid for by imports. You can't have exports if you don't have imports.

Senator MALONE. So you want to trade one for the other? Let's get down to bedrock.

Mr. BATT. When you cut imports by any mechanism, of course, automatically you have to cut exports, and jobs are represented by exports.

Senator MALONE. Would you explain just one thing to me. You are for trading one sector of industry for another?

Mr. BATT. Well, I am perfectly willing for the President to have that power on the assumption that the President and the agencies who work under his direction will look at the national interest as distinct

from a single interest. I have never sat in one of those hearings, obviously—I have not sat in one of the hearings of the President's interagency groups, but I have a general understanding as to how they work.

Senator MALONE. I hope you do, because this is a little mysterious to some of us. But nevertheless, you do believe, just like the Secretary said, that this act, this 1934 act, is designed to take in the political factors in Europe, to take in the meshing of industry in this country, the agricultural and the mining and the manufacturing, and taking in all those factors, whatever is best for the United States of America in the judgment of the President of the United States, then that is the way he sets the tariff, lowers it, or does anything he wants to with it.

Mr. BATT. I am perfectly agreeable, Senator, to putting this in as a part of our whole national interest.

Senator MALONE. That is what you want, isn't it?

Mr. BATT. Yes, sir.

Senator MALONE. Do you agree with Mr. Dulles when he said in answer to a question relative to the peril point and the escape clause, as to what protection they have furnished for domestic industry:

Do you agree that there is authority in the act to trade away an American payroll to serve an international purpose, if it causes injury to that American payroll?

And Mr. Dulles states:

Conceivably so, yes. We do a lot of other things, sir, which do great injury to American people, to serve an international purpose.

Then he said later, on the inquiry being pressed:

It is my understanding that the so-called escape clause is not designed to protect from injury in every particular element in American industry. I believe that there has been some question about amending it so as to make it read that way.

When pressed further, Secretary Dulles said:

I do recognize that the competition, whether it is domestic or foreign, does injury, and it injures, first, the weaker and less economical units in an industry.

Then he says further:

I think those are matters which, when you have the international factors involved, should be to an extent within the discretion of the President's judgment.

Then further:

I do not think you can have imports without some damage, and if your rule is that you will not have imports or tariff reductions or sustain them if there is any damage to anybody, then I think it becomes automatically unworkable.

Now, do you agree with the Secretary in that interpretation of the act as it now stands?

Mr. BATT. Senator, I don't want to be put in that position, because that was a half a dozen different questions.

Senator MALONE. I think that was a little unfair to you. Do you agree that that is the way it should be, to allow the President of the United States, 1 man, to injure 1 industry to build up imports in that sector so that exports are increased in another?

Mr. BATT. What I want to say, I say out of a deep conviction and a heart full of responsibility. We are today the leaders of the world.

Senator MALONE. Are we?

Mr. BATT. We carry the problems of the world on our shoulders. We don't like it, but there it is. We are trying to organize—

Senator MALONE. What are those problems that we carry on our shoulders?

Mr. BATT. At the moment there are problems that have to do with the existence of freedom-loving countries, as I see it. They have to do—

Senator MALONE. How do you intend to carry out those responsibilities?

Mr. BATT. In the first place, we have got to get the maximum of understanding and cooperation out of the other people if the world is to feel the way we do; that is one thing. That can be an emotional matter. But practically their economies have got to be strong—ours has got to be strong.

Senator MALONE. But we must divide our economy with them to carry that out?

Mr. BATT. Not at all. We must build them both.

Senator MALONE. What do you do when you decrease the exports in one particular industry and decrease the employment and write off the investment in that industry to increase imports to strengthen some particular nation?

Mr. BATT. At the moment you may hurt that one industry. But if you have a philosophy of more trade in the world instead of less trade, a freer trade—

Senator MALONE. Don't we have that philosophy—not freer trade, you put that in later—

Mr. BATT. Not just the United States; I am talking about the world.

Senator MALONE. I am talking about the United States. Everybody that I know here wants to increase legitimate trade.

Mr. BATT. Right.

Senator MALONE. But the legitimate trade doesn't increase by the Marshall plan money that you give them to buy the products or the national defense articles that are built here at the taxpayers' expense and sent over there without charge which the Department of Commerce and others testified here was part of our exports.

Mr. BATT. They are dollars that flow into the stream of world trade.

Senator MALONE. Yes, but they flow out of the American taxpayers' pockets first.

Mr. BATT. They do.

Senator MALONE. So regardless of which year you choose since World War II, if you deduct any year the amount of money that we have sent to Europe to all the countries, deduct the amount of goods which are charged up as foreign trade and paid for by the American taxpayers, you come right back to the 4½ or 5 percent of legitimate trade that you have had for 40 years, don't you? Did you ever try it?

Mr. BATT. If you continued to have 4½ percent of our gross national production your jobs represented by that volume will be much greater in number.

Senator MALONE. Of course. And it was greater. But what you did, and what we did, the effect of what the Congress did, was to buy trade, just like a grocery store that isn't doing very well on Main

Street goes to the bank and borrows a few thousand dollars to scatter around the neighborhood to see if trade would pick up.

Mr. BATT. I want to disagree with you. I looked into the situation, and we weren't buying trade.

Senator MALONE. What were you trying to do?

Mr. BATT. We were trying to strengthen Western Europe to a point where we have a defense wall that is worth something.

Senator MALONE. Do you know how you strengthened them?

Mr. BATT. To a substantial extent by the help we gave them.

Senator MALONE. You built factories over there to compete with us, isn't that what you did?

Mr. BATT. You made that statement 2 or 3 times. I don't know of an American concern that has gone abroad and built factories and manufactured articles and imported them back to the United States on any considerable basis. It might have happened, but I never heard of it.

Senator MALONE. I will tell you, I have just finished a trip to South America, and there are certain companies down there sending goods back here, the raw materials—

Mr. BATT. Raw materials are another thing. Certainly various of our nonferrous metals companies have done that. They have all done it. But manufactured goods—

Senator MALONE. Now, the manufacturing of goods, almost every country is overbuilt for its own market in the manufacture of these goods, and they are sending them to Russia, the Iron Curtain countries, and to China, and they were doing it in 1948 and 1949—in 1948 you made 86 trade treaties, for the record, I think—in 1949 you made 96 trade treaties—that is, the Marshall plan countries were trading with Russia and the Iron Curtain countries, sending them everything they needed—ball bearings, tools, steel—I have had to dig this all up, and if you want it I will send it to you—I don't think you were in that deal then, but if you were, I think you know it.

Mr. BATT. I wasn't in it.

Senator MALONE. Wasn't that the situation, 96 trade treaties, selling them everything, ball bearings, everything—I will tell you, you are in the tool business, tool steel, engines, trucks, everything they needed to get ready to fight us.

Mr. BATT. In a general way, I can tell you what happened.

Senator MALONE. Tell me.

Mr. BATT. Those countries, the French, the British, the Italians, were dealing with Czechoslovakia and Austria—

Senator MALONE. And Russia and China?

Mr. BATT. And Russia and China.

Senator MALONE. They have been, and also are now.

Mr. BATT. I would be very foolish if I got myself into this East-West controversy, because bigger men than I—

Senator MALONE. That is what you are doing now.

Senator MARTIN. Could you come back at 2:30?

Mr. BATT. Certainly.

Senator MARTIN. We will adjourn, then, until 2:30.

(Whereupon, at 1 p. m., the committee adjourned, to reconvene at 2:30 p. m., the same day.)

AFTERNOON SESSION

Senator MALONE (presiding). The meeting will come to order.

Mr. Batt, taking up where we left off, we were talking about foreign trade, and I said that our assistance to foreign nations, notably Europe, billions to Europe and billions of dollars worth of national defense material that we are giving to them, all contract to what we are pleased to call through our official organizations in Washington, foreign trade.

If you subtracted the amount of money we give out all over the world and the value of the national defense material that we give away, that our trade is back to the $4\frac{1}{2}$ to 5 percent that we have had for about 40 years of legitimate trade where you sell something and get money for it.

They sell something to use and get the money for it. And, of course, through all these various contributions we have mixed it up so much that many people have been fooled about it, many are sold on the idea that it is a very complicated thing. I don't agree with the idea that it is complicated.

There is no question, is there, Mr. Batt, that not only are the Marshall plan countries in Europe selling materials that could be used in a war against us or anybody to Russia and the Iron Curtain countries continually since World War II but they are stepping it up now. Is there any doubt about that?

Mr. BATT. Yes, there is. There is no doubt between the period of 1945 to 1950.

Senator MALONE. 1955, too.

Mr. BATT. I include 1950, 1951, 1952, 1953, 1954, and this is 1955. I want to make a break if you will permit me to.

That kind of trade was stopped in 1950 or 1951 when we made an agreement with our allied nations that we would determine what were things that were so-called strategic. We made those definitions. The United States did not always have its way as to what those elements were, but I understand we were pretty successful and the amount of trade which Britain, France, and other countries in Western Europe had with the countries behind the Iron Curtain in so-called strategic items was very sharply reduced.

Senator MALONE. What would you call strategic or nonstrategic items, maybe that would be easier.

Mr. BATT. The experts argued over that question for days.

Senator MALONE. You know as well as I do that shirt buttons are a strategic item when you are getting ready for a war.

Mr. BATT. It wouldn't be so considered in a discussion of that kind. Neither was food and yet you can't carry on a defense or a war without food.

Senator MALONE. As long as we feed them and give them the things they need to get ready for a war whether it is ball bearings and I know they were and are selling ball bearings.

Mr. BATT. They were.

Senator MALONE. And tooled steel. They are now selling it. There is a rumor we stopped a ship going into Red China.

Mr. BATT. You mean the shipment—

Senator MALONE. If it is true we did it is the only one we ever stopped and it is getting pretty late. We never stopped one in our

lives. It may be that you know this and maybe you don't. I think it was in 1950. I could be mistaken in one year, there was a resolution passed by Congress. The Wherry-Malone-Kem resolution that stopped cold our contribution to any nation trading with Russia and the Iron Curtain countries.

Mr. BATT. I remember it.

Senator MALONE. Then almost immediately a flood of propaganda went over the nation that the Battle Act was going to stop it.

The Battle Act in the House repealed this resolution, the Wherry-Malone-Kem resolution, and left it to the United States, the trade then stepped up and never has stopped.

The Battle Act was for one purpose, as we argued on the floor of the Senate then and it panned out that way, to continue to allow the trade and to continue to finance the factories that manufactured the stuff they were sending to the Iron Curtain countries.

Mr. BATT. My information is very clear that the amount of so-called strategic items going behind the Iron Curtain has been very greatly reduced. One has to remember that these countries have to live.

Senator MALONE. The Iron Curtain countries?

Mr. BATT. No; Britain, France; our allies. I can speak to you with some authority about Britain because I was living in London at the time this situation was acute.

The British require grains which they don't themselves produce. They require various kinds of timbers which they don't produce.

Senator MALONE. What are the things we have in the stockpile? Are they coarse grains?

Mr. BATT. I am not sure.

Senator MALONE. What are the coarse grains?

Mr. BATT. You come from, I suspect, more of an agricultural part of the country than I do. You use it for feedstuffs of course.

Senator MALONE. Is wheat a coarse grain?

Mr. BATT. No.

Senator MALONE. Is corn a coarse grain?

Mr. BATT. I think it is.

Senator MALONE. Barley, a coarse grain?

Mr. BATT. I am sorry I disqualify myself as an expert on coarse grain.

Senator MALONE. At the time that they needed foodstuffs they could get all the foodstuffs from here that they ever needed in the world.

Mr. BATT. That is precisely what they could not get. They could not get the timber from here.

Senator MALONE. We have all the timber in the world from here. Why couldn't they get it?

Mr. BATT. Because the prices were high. The supply was limited.

Senator MALONE. We gave them the money. They just spent the money someplace else.

Mr. BATT. I want to go ahead and continue if I may, sir.

Senator MALONE. You know that we are giving them \$5 to \$7 billion a year. Where do they spend it?

Mr. BATT. I can tell you where the British spend their dollars.

Senator MALONE. Tell me.

Mr. BATT. They spent most of it to secure dollar components which they needed to enlarge their military structure.

Senator MALONE. Where did they spend it?

Mr. BATT. And for tobacco.

Senator MALONE. Yes. Where did they spend for the food and lumber, the stuff that they needed?

Mr. BATT. They got their foodstuffs largely from within the Commonwealth, Canada being a large supplier of foodstuffs.

Senator MALONE. They got wheat from Russia.

Mr. BATT. No, they got lumber from Russia.

Senator MALONE. Are you sure they did not buy some grain from Russia along about that time? I would have to look up the record, but I can do that. They made a contract for foodstuffs that seem to me like a billion-dollar contract along about in 1950-51, trading directly with Russia.

Mr. BATT. To my knowledge that was confined solely to cattle and animal feedstuffs and not human foodstuffs.

Senator MALONE. Of course, we have more of that than we know what to do with. We are now trying to find ways to get an excuse to dump it in the ocean or give it away. We are giving it away all over the world. So what was first the subject. These people have to eat. So we are feeding them. Giving them the stuff and giving them the money. Then what?

Mr. BATT. These people from our point of view needed to make a larger contribution to the military strength of the West than they were making.

We thought it was in our national interest to help them build up their economies so they could increase that contribution to their armed strength.

Senator MALONE. You are a—

Mr. BATT. May I add one further statement?

Senator MALONE. Yes, you can.

Mr. BATT. We were devoting in 1951-52 about 15 percent of our national income each year for defense. But by one device or another the British—and largely, substantially by our aid, not largely—the British got their contribution up to about 12 percent.

We had an objective toward which we tried to influence those nations as well as we could, to make a contribution that was somewhere at the 10- to 12-percent level because our experts believed that on balance that was a contribution that would be a greater test of their economy than the 15 percent we were putting out of ourselves.

We got the highest contribution out of the British that we did have from any country in the NATO alliance.

Senator MALONE. You are an industrialist. I want to ask you a question. I always contended on the Senate floor that when a nation or an individual has an established market for their goods, for the goods that they are manufacturing, and if the economic factors add up, that they can compete for this market, they don't need any gifts of money to build the factory, they can always get the financing. Isn't that about right?

Mr. BATT. If capital is willing to go there and feels that it is reasonably safe.

Senator MALONE. Let's frame it again. Capital is also ready to go any place where you have an investment climate. If you have an idea that every time someone invests something that you grab onto:

that so they can't take it out or can't take the profits out, that is what every nation almost in Europe had as you well know.

Mr. BATT. Yes. They have tended to in too many instances.

Senator MALONE. In practically all of them. Now that is their fault. That is not the fault of the capital.

Capital will go wherever you have an investing or investment climate, meaning that you treat it like your own capital. And there is a feasible industry there, including the markets, including all the factories that add up, you can get private money to build those factories, can't you?

Mr. BATT. Very commonly, you can.

Senator MALONE. Well in the engineering business for 30 years I have never known an instance where all the factors add up, the freight rates, the markets, the power, the labor, and all of it, unless it was just right in the midst of an upset period, you could get the money.

But my point is this: When they have no markets you can't get the money except from a Congress of the United States that has no knowledge and rarely studies anything; they go ahead and build factories where there are no markets.

That is to say where the building of these plants will oversupply the available market.

On the Senate floor in 1948 I said just that. What are we building these plants for? We are overbuilding the plants, industrial plants in Europe in each of these nations so they will have to sell to Russia or the Iron Curtain countries or to us and the first thing you know there will be a little blackmail coming our way to get our markets.

We have reached that point.

Mr. BATT. No, Senator; I can't agree with you for one moment.

Senator MALONE. Go ahead.

Mr. BATT. There are 260 million people in the area we are talking about; that is the NATO—

Senator MALONE. There are more than that.

Mr. BATT. I am talking about the NATO countries, Western Germany, England, France, Italy, and so on. There are 250 to 260 million people there. They should be prosperous and consuming a great deal more than they are.

Senator MALONE. Why don't they?

Mr. BATT. I want to ask you a question.

Senator MALONE. Answer that first, then I will answer the question. Why don't they consume?

Mr. BATT. Lack of the competitive economy concept which we have here. Their prices are too high. They can't buy what they make. Senator, you know that this is the only country in the world where the men who work in the factories can buy what they produce.

Europe has not got that concept, sir. I told you this morning that this was the smartest management in the world. Europe has not got it. What countries, sir, are those two countries where communism has gone farthest? Italy and France.

What two countries in Western Europe have the lowest standard of living? Italy and France.

Senator MALONE. I agree with you thoroughly. I have said that on the Senate floor. If Mr. Ford—who has several branch plants in Europe; has 26 outside the United States—if some day he would wake up and do what his father did in Detroit about 40 years ago and

do it over there in Europe and say they can't buy my Fords with the \$2, \$2.50, and \$3 a day, the minimum wage is \$6 or \$7, he might start something.

Mr. BATT. That might be.

Senator MALONE. They don't do it. They go over there to get in on this cheap labor. They are not thinking of raising the standard of living. We lower our tariffs which encourages them to keep the cheap labor because they can keep the difference. If we had a tariff like the 1930 Tariff Act outlines on the basis of fair and reasonable competition, then that difference in the wage standard of living there and the taxes and cost of doing business in the chief competing country and here was the tariff, they couldn't profit by the low-cost labor and when they hit that a few times and pay the difference in the United States Treasury they might say we might just as well give it to the workers and raise their wages and make a market over there.

We are encouraging low wages in Europe.

Mr. BATT. No, sir. I cannot agree with that.

Senator MALONE. By our low tariff.

Mr. BATT. Because I have seen just the reverse of that. May I give you a piece of legislative history?

Senator MALONE. Yes.

Mr. BATT. We put a hundred million dollars of aid into Europe, by virtue of the so-called Moody-Benton amendment which was senatorial action urging those countries to do 2 or 3 things—I don't remember precisely, First raise the general pay of their people—because they are not getting enough of the customer's dollar in Europe.

Second, general breakdown of their competitive restrictive practices.

Senator MALONE. Between countries.

Mr. BATT. Between countries and between companies in a given country.

Senator MALONE. I stood 3 days at a time on the Senate floor and argued that same thing. I said if you are going to give them any money put it on that basis.

Mr. BATT. We tried to do it.

Senator MALONE. You don't need to try to do it. Let them alone. Don't send them the money unless they do it and it will be done.

Mr. BATT. We wanted something out of them.

Senator MALONE. No we did not.

Mr. BATT. We wanted them to make a large contribution to the military strengths of that part of the world.

Senator MALONE. Who is going to be protected? They are the ones who will be protected.

Mr. BATT. Yes, sir; I know that.

Senator MALONE. You have to go into a country and argue them into protecting themselves.

Mr. BATT. That is exactly what you have to do.

Senator MALONE. That is exactly like our tariff over there in my opinion, you are going to be blackmailed out of existence and every time you turn around one of them says we are about to go Communist if you don't reappropriate the money.

They tell us now that we have to appropriate money.

Stassen has just returned from a trip to Asia. We have to buy Asia back after the State Department lost it deliberately.

Now all the European countries are trading with China.

Mr. BATT. I am troubled about it. In the last 4 or 5 years the United States has been part and parcel of the tremendous recuperative force in Europe. That is it provided the leadership for it. What happened at home?

We made more money than we ever did in our history while we helped them to rejuvenate themselves.

I have listened to these arguments. I have been a Republican all my life. For a good many years I had that same side of the fence. But I have come to the conclusion in the last 10 years, since the war, that the world will go to the bow-wows if the United States doesn't exercise leadership. To the extent it does not, it will be because of the leadership of the United States. I don't say for a moment that passage of H. R. 1 will settle all the problems in Europe. I feel very deeply if you fail to pass it you are saying to the rest of the world we have given it all up, go paddle your own canoe, we will paddle ours. That I would regard as tragic.

Senator MALONE. Of course, I do know I do not agree with that. That is immaterial. I want to get into the record just what you believe and I think we are doing it.

You are not telling the world to go any place if you are simply regulating your own foreign trade on the basis of fair and reasonable competition and every time your chief competitive country living standard of wage comes up you lower your tariff, on the 1930 Tariff Act, and when they are living about like we are it is automatic free trade.

We all have the same objective. The only way I see you can reach the goal is to hold your own economy while you are doing it.

Do you understand that if you allow this Trade Agreements Act to expire, that anything on which there is not a trade agreement already made reverts to the Tariff Commission under that fair and reasonable competitive principle.

Mr. BATT. Go back to the 1930 act; yes, I do, sir.

Senator MALONE. Do you understand that where there are trade agreements if the President serves notice on the nation with which trade agreements were made for cancellation that within a certain specified time that product under the regulation of the flexible tariff also reverts to the Tariff Commission?

Mr. BATT. If there is a case where there has been a treaty the President or somebody else has to denounce the treaty.

Senator MALONE. You did not understand me. I said if he served notice on the country with whom the trade agreement has been made, that within the certain specified time it would be reverted to the Tariff Commission?

Mr. BATT. That is the denunciation I spoke of.

Senator MALONE. It is not denounced. He serves mere notice of cancellation. That is simply a part of the law.

You do understand then that we changed in 1934 the principle of levying duty. Up until that time and perhaps the 1930 law was the best, setting down the fair and reasonable principle of competition, the difference in cost would be recommended as the tariff. From that one criterion in 1934 we changed the entire principle to transfer the legislative responsibilities of Congress to regulate foreign trade to the Executive and gave him the latitude of political considerations

in the nations of the world and the economic measuring of the agricultural and manufacturing and mining industries in this country.

In other words we threw the bars down so that he could consider almost any factors; do you understand that we changed the principle to that extent?

Mr. BATT. We agreed this morning that we were not lawyers, either of us. Wouldn't it be better to say delegate it because you can take it back any time we want.

Senator MALONE. We can't do it unless we kick it to pieces. If we put it on a 1- or 2- or 3-year basis, it is there for that time. I think we could take it back but it would be a breach then of, you might say, a contract, because they have a right to expect that we keep our word in that regard.

You delegate the authority—the constitutional responsibility of Congress to regulate foreign trade and set it, the duties and imposts and excises that we call tariffs—to the Executive and consider all of these factors that I have just enumerated and get away from the fair and reasonable competitive principle laid down to the Tariff Commission up until and including 1930.

Mr. BATT. You changed the basis on which the show was to go on the road.

Senator MALONE. We changed it from one branch of the Government to the other as to whom was to run the show.

Mr. BATT. You delegated that responsibility to the executive branch.

Senator MALONE. That is true. So we agree with what Secretary Dulles says. I have always contended that it is true; but that has been denied so many times. Mr. Dulles has said now that it explains the injury of some industries to the benefit of others in trying to bring about that policy; do you agree?

Mr. BATT. It could happen. I don't think it deliberately contemplates hurting one industry in order to build up another one. But the Executive Act can very well for reasons which seem good to the Executive, can very well hurt a particular branch of industry.

Senator MALONE. Let's see what it says about it.

In answer to that very question Secretary Dulles says:

I do not think you can have imports without some damage.

Mr. BATT. You can have lots of imports, Senator, without damage, but you certainly can have some damage with imports.

Senator MALONE. I am only quoting Mr. Dulles. You can dispute him if you want to. What I am trying to tell you is what he said:

I do not think you can have imports without some damage and if your rule is that you will not have imports or tariff reductions or sustain them if there is any damage to anybody, then I think it becomes automatically unworkable.

You agree with that, do you?

Mr. BATT. The latter part I—the reason I interrupted the first part. I don't want to agree with everything Secretary Dulles says unless I am quite sure whether there are any hidden dogs in the answer.

Senator MALONE. I think Secretary Dulles made an honest witness. He did not try to defend that. He told us the truth.

Mr. BATT. I want to say another thing to you. When your sons and my sons get a uniform put on them, as mine have done, I don't expect the Government to say, Now we are going to make a soldier out of you to defend your country, but you are never going to be hurt.

The administration of our foreign trade policy is on such a basis as I believe it to be, that the greater interest of the country should always be the one that counts.

Senator MALONE. The greater interest would be these factors enumerated in the 1930 Tariff Act.

Mr. BATT. Not necessarily.

Senator MALONE. They would have to be in the act, wouldn't they?

Mr. BATT. May I—

Senator MALONE. I am going to read the act to you.

Mr. BATT. I know the 1930 act. But I don't think it contemplates—

Senator MALONE. The 1934 act. It said specifically that, the President himself.

Mr. BATT. Can take into account.

Senator MALONE. International political situations.

Mr. BATT. I understand that.

Senator MALONE. Economic conditions in this country which takes in every known factor.

Mr. BATT. All right.

Senator MALONE. Mr. Dulles said exactly what you have just said, and he thought it would be rather dramatic and it is when they asked him:

Do you agree there is authority in the act to create a way to trade away an American payroll to serve an international purpose if that causes injury to that American payroll?

Secretary Dulles said:

Conceivably so: yes. We do a lot of other things which do greater injury to American people to serve an international purpose. We send a lot of people to be killed, which is a lot worse than going off the payroll.

That is what you mean.

Mr. BATT. I do mean that.

Senator MALONE. I see no reason for bringing that in. I had a son-in-law in this war and I have a grandson growing up for the next one. I expect you have 1 or 2.

Mr. BATT. My wife and I have 26 grandchildren between us.

Senator MALONE. That is a very laudable thing. Secretary Dulles used the same thing but he went further then in the very thing I am asking you about, which you quoted, the matter of killing somebody instead of answering it. He answered both of them when he said:

I do recognize that the competition whether it is domestic or foreign, does injury and it injures first the weaker and less economical units in the industry.

You don't have to justify what you say to me. All I want to know is, Do you believe that and do you believe in it?

Mr. BATT. I do not believe in protecting weak and efficient elements of our industry indiscriminately.

Senator MALONE. Like my friend.

Mr. BATT. Is that an answer because I am trying not to evade?

Senator MALONE. It is not even close to it. No one wants to protect an inefficient industry and the Tariff Commission doesn't have to do it. But what they do have to do under the 1930 Tariff Act is to use the one principle and no political European factors enter into it and that is the difference, not the high cost or the low cost but the fair cost of manufacturing or producing an article in this country and the same

cost, the same kinds of a cost the same way to arrive at these things in a chief competitive nation and the difference they recommend to be the duty.

What that does is assure a prospective investor that he only has to compete with his domestic people.

He does not have to go to Belgium, he does not have to go to Africa and know everything in the world and know whether he can get the business and compete with them or not or whether his factory ought to be there instead of the United States because he knows, if he can compete with his own domestic competitors, he is in business.

That was the purpose of the act. That was the purpose of a duty up until 1934. Following that—I think we agree—that we changed the principle over to include—

Mr. BATT. Yes; I do.

Senator MALONE. To include the economic factors of Europe and political factors of Europe and the economic factors of American industry in this country and the President is the sole judge of that.

Mr. BATT. I understand your question; what I was trying to avoid was the inference I accept the words "trade away" an American payroll. I don't accept that expression.

Senator MALONE. If you do away with the zinc industry and you heard some testimony about that this morning, if you had been here a couple of mornings ago you would have heard about the crockery industry, the labor men who were here, the textile industry, the next day, you would have heard about maybe 15 or 20 of them.

So you can take anyone you want to. The Morgantown Glass Co. down in West Virginia, you can take the crockery industry in Ohio, or you can take the textile industry in New England or in the South.

You can trade a part or all of any one of those industries for some other benefit that is vaguely described as political and international factors.

Mr. BATT. It may benefit another American exporter; that is the point I want in the record.

Senator MALONE. You are for that?

Mr. BATT. It may very well happen for that.

Senator MALONE. You are for that?

Mr. BATT. I am sorry. That is too sweeping a question.

Senator MALONE. Then tell me what you are for.

Mr. BATT. I have tried to do that all morning.

Senator MALONE. Go ahead and try it again.

Mr. BATT. You say the crockery industry. I don't know the first thing about the crockery industry.

Senator MALONE. Get an industry that you know something about. There must be some of them because you have been in this business for a long time. I don't think you know anything about the mining industry. I am coming to that pretty soon.

Mr. BATT. I don't. The only testimony that I have there is that I expect I had as much as anybody to do with bringing in as many of the producers of any kind of essential raw materials during the war as it was possible to bring in the picture.

We were the ones that set up the machinery for collecting manganese in bags at anybody's doorstep; if it was an essential raw material, we provided the machinery to bring it in, as uneconomical as that might be. But it was justified, of course, in order to get the war forward.

Senator MALONE. I understand that. It might interest you to know that I was a special consultant to the Senate's Military Affairs Committee when you were sitting on that Board and I sat with the Board once in a while and listened to it.

Mr. BATT. I know you were.

Senator MALONE. By this very policy you are advocating I don't think I will ever get you to say you are advocating it because you have come right up to it and backed away from it a couple of times if you are not for it I would like for you to say so and if you are for it I would like to have you say so.

Mr. BATT. I was trying to help with all we had to win the war.

Senator MALONE. We won the war.

Mr. BATT. I am trying to help win the peace now.

Senator MALONE. I don't think you are but that is my opinion.

We had become by this very policy you are now advocating dependent upon Africa for the chromite and managanese without which you could not fight a war and we were losing 88 to 90 percent of the ships that came out of Africa the first 6 or 8 months of that war. I almost watched them being sunk.

Mr. BATT. We lost 13 out of 15 of the bauxite ships in 1943 in the Caribbean Sea.

Senator MALONE. That is not necessary. You heard a man testify here this morning that under a protective policy 66 percent of the zinc was produced in this country and that under the 1934 act after a very few years it went down to about 40 percent. If the 1934 Trade Agreements Act was allowed to expire it wouldn't be down because of the imports from the cheap-labor countries, where the people were producing with almost the same machinery that we were using in the United States and the superintendents—I call them shifters—taken from our country and working over there, working with this cheap labor. By the 1934 act you are not only losing the jobs of these men, losing the investors' money here, but you are making us dependent upon these countries across a major ocean for materials you can't fight without, like the manganese you're now getting from India, 900,000 tons annually, and you can't get a ton of steel when the war starts.

Mr. BATT. We never got very much out of the United States in manganese; that is not a good policy.

Senator MALONE. You can if you want to.

Mr. BATT. If you want to pay enough. You can use the scrap out of the Empire State Building if you want to, but that will be expensive scrap.

Senator MALONE. Let me tell you something. I want you to remember this. No one has ever asked for a tariff that made up any more than the differential in the wage standard of living and the taxes and cost of doing business in this country. If you have to have more than that it will take a special act.

If you are out for protecting the labor and wage standard of living in this country, I want to know that, too.

Mr. BATT. I want to try to answer that and I am not evading.

Senator MALONE. I would like you to answer that. That is what most of these people mean when they say they want to get the cheaper goods, they want to get it from cheaper labor. I would like to take you out of that category. You are in it now.

Mr. BATT. When you direct an agency to ascertain costs of production abroad, if you had only half a dozen articles to deal with, it is possible they might make some headway, but over the range of the items—enormous range of items that come into this country—the problem of finding out what are costs of production is quite impossible in my judgment.

Senator MALONE. The landed duty declared customs' cost you do know that and what it is offered for sale, don't you?

Mr. BATT. You know what the fellow sells it for but that is not enough. You need to go further.

Senator MALONE. You can take the profit out and know the production cost.

Mr. BATT. You don't know what the profit is. You don't know anything except what he sold it for. That is the point, the difficulty of getting this information. Here I speak as a businessman.

Senator MALONE. You haven't touched the question I just asked you. Let's get back to that first. When you talk about a cheaper product that you can take it out of the Empire State Building, being in the engineering business for 30 years I know that. But I also know that 90 percent of these people testifying here that the customer is entitled to a cheaper price, when there is a cheaper labor price.

Mr. BATT. Not necessarily.

Senator MALONE. I say that is exactly what results in the price, because if you are paying them the same wage it wouldn't be cheaper. There are many countries in the world, I know of several where we pay more industrial insurance, social security, and unemployment insurance than they pay in wages and still we are talking about competition.

All the tariff ever did was to even the competition. All anybody ever asked for was to even the competition with foreign products so, I am going to ask you now, if we can get it cheaper whether it is manganese, whether it is zinc, whether it is textiles, whether it is glass, by using cheaper labor someplace else, are you in favor of getting it?

Mr. BATT. If the cost of producing it at home is too high I certainly am in favor of bringing in the lower cost material from abroad.

Senator MALONE. What would you say "too high" just to pay the \$12 or \$15 a day or whatever it is like in the glass in West Virginia was?

Mr. BATT. That is not an adequate answer when we talk about raw materials. Let's take the extreme case manganese which you used yourself. You said we could get enough manganese out of the United States to supply our needs.

Senator MALONE. I did not say we should get all of it.

Mr. BATT. You did not say we should, you said we could.

Senator MALONE. Stay in the business.

Mr. BATT. The cost of that to the steel industry would be a shocking figure.

Senator MALONE. Would it?

Mr. BATT. Yes. I used to know those figures. Perhaps you have them now.

Senator MALONE. Would you tell us how many pounds of manganese there is in a ton of steel?

Mr. BATT. I can't.

Senator MALONE. I will tell you, 13 pounds. That tariff that would be necessary to equalize the wage standard of living you could not find it in a ton of steel.

Mr. BATT. We used about 2 million tons of manganese a year.

Senator MALONE. Nobody has ever asked for a tariff above that differential in the wage standard of living and the taxes and the cost of doing business and if that does not bring it all, if you wanted to get it all, you would have to have then a special act, you would have to take it up like you did sugar or something like that.

Nobody has asked that. Oil has asked for a 10 percent quota. Nobody asks for a specific tariff under any bill I have ever introduced or any speech I have ever made or any testimony I have ever heard from the people out of the mining fields, the textile industry, or the glass industry. All they ask is to give them a tariff or a duty that makes up the difference between the wage standard of living, the effective wages, sometimes this foreign labor is not as effective, but when they get our machinery and management they almost are.

But the effective wages, the taxes, the cost of doing business, the taxes, the emoluments that our workmen get here, give us a tariff that makes that difference and if that doesn't make it up then we will go for a special act if we have to have it.

I want you to say for this record, are you for that or not?

Mr. BATT. I think it is a theoretical yardstick that can never be put into practice.

Senator MALONE. It was in practice and the reason they wanted to get rid of it is because they wanted to take part of the markets of that nation, just exactly as you have been, as Dulles testified. He never dodged a thing. He just stood there and looked the questioner in the eye and told him the truth.

Mr. BATT. My reaction, Senator, is in 1930 wasn't that the Smoot-Hawley Act year?

Senator MALONE. Yes. We jumped tariffs, we stopped a good part of our export business as a result of it.

Wasn't the Smoot-Hawley bill the thing that caused the depression?

Mr. BATT. We went into a tailspin.

Senator MALONE. Didn't you say that that caused the depression?

Mr. BATT. I did not say that.

Senator MALONE. You remember it was sold to the country on that basis?

Mr. BATT. I would have said it contributed to it. I think the seeds for the depression had been sown long before it.

Senator MALONE. You think it contributed to that?

Mr. BATT. I think it contributed to the disorganization of Europe in the thirties. I think it contributed to World War II.

Senator MALONE. The administration let out the continued propaganda that it caused the depression, and it wasn't passed until the year following the start of the depression.

Another thing they had in that act assuming that some of the tariffs might have been too high or too low, they left the Tariff Commission with definite orders on principle, with a leeway of 50 percent up or down, to immediately proceed to adjust them to a proper basis on that fair and reasonable competitive basis. But not on a basis of saying as you have now said, that if you can get it cheaper some place else, if it is a labor item that you should get it.

That is what I understand you are testifying and if it is not I wish you would explain it.

Mr. BATT. I think it is in the interest of world stability and therefore world peace that our policy with respect to imported and exported goods is taken into account as a part of our whole policy.

Senator MALONE. You believe that just like Mr. Dulles says if the policy injured one industry, and the President believes that that is for the good of the entire country including the international political implications you think it is a good thing?

Mr. BATT. I must insist so far as my statement is concerned, for the greater good of the country, our own country too.

Senator MALONE. You do believe in taking in these factors that are in the 1934 Trade Agreements Act.

Mr. BATT. Yes, sir; I do.

Senator MALONE. All right, that is good enough for that.

Someone has just passed me a March 16 Washington Daily News where a Berlin firm sold gun sights to the Reds. I won't read it because it is such a common dispatch. There are five dispatches in the morning papers right along this line.

Mr. BATT. Does that mean West Berlin, sir?

Senator MALONE. It states: "Financed by United States Dollars, Berlin Firm Sold Gunsights to Reds." This is a West Berlin UP dispatch. This is so common.

Mr. BATT. I think that is entirely indefensible if it is a fact.

Senator MALONE. That has been indefensible for ten long years.

Mr. BATT. West Berlin is in a terribly difficult position.

Senator MALONE. You don't need to explain that. I know that. They are selling these things that will help these people fight our boys and shoot them. I said on the Senate floor during the Korean war that the fathers of these kids that were pushing up the hills 6 or 7 times, the taxpayers and fathers of those kids paid for 75 percent of the stuff that shot them dead and wounded them, and we were supporting our opponents with the Marshall plan and now it is FOA or some other silly thing.

It will be something else next year, but it will be paying for the bomb sights just the same and everything else they need.

Mr. BATT. I don't believe that, sir, and I don't agree with that conclusion.

Senator MALONE. Of course you don't believe that. Shall I read some more?

A State Department spokesman identified the firm as the Askania Works, manufacturers of optical instruments and said it sold sights which directed artillery fire on American soldiers.

Harold Quilltzel, former general manager of Askania and two assistants were on trial before a West Berlin court today accused of selling \$437,000 worth of instruments to the Peiping government during the war.

Mr. BATT. It is a good thing somebody has the buggers on trial.

Senator MALONE. Yes. Somebody else is still selling it. They never stop it. They never have stopped it. We are paying for it.

Mr. BATT. There are always a certain number of crooks, Senator, you know that better than I do.

Senator MALONE. These were not crooks. These 96 trade agreements that I put in the record in 1949, right over there on the Senate floor and they are still a matter of record. They weren't crooks; they

made these agreements and told us they were doing it. Still in the face of that we appropriated billions and billions of dollars that financed factories that made them, that is what we were doing.

There is another question I wanted to ask you. You outlined your record in the War Production Board. There are some miners still that are a little perturbed about it—L-50—I think it was that closed the gold mines. You had a finger in that too, didn't you?

Mr. BATT. Yes; I signed that order.

Senator MALONE. They will be glad to know that that is settled. As far as I am concerned, I think we are straightened out entirely on this thing.

I think we understand you are for this act. I think we understand you are for it as it is written and as it is being administered, and I have no quarrel with you whatever. I think you are a very clever businessman, and I only wish I had paid a little more attention to the business ends of it myself.

There was one more question I was going to ask you. You say you are no longer connected with the SKF Industries?

Mr. BATT. I am still a director although rather inactive.

Senator MALONE. I will ask you another question because it all comes under the head of a record. Are you or any of your family connected with them?

Mr. BATT. No; I have no stock interest and none of my family are directly or indirectly concerned.

Senator MALONE. On a pension basis or a consulting basis?

Mr. BATT. I have a pension.

Senator MALONE. From them?

Mr. BATT. Yes, sir. I was with them 43 years.

May I continue with my statement?

Senator MALONE. Please do.

Mr. BATT. This brings me to the second part of my statement today. I shall preface these remarks by recalling that from 1950 to 1952 I served as Chief of the ECA Mission to Great Britain and Minister for Economic Affairs in our London Embassy. I was also United States representative to the NATO Defense Production Board and later, assisted Lord Ismay in setting up the Defense Production Division of NATO in Paris. Finally, I was for several months in 1953, Deputy for Economic and Financial Affairs in the Office of the Special United States representative to NATO and European regional organizations in Paris. During this period, in London and Paris, I had, of course, constant contact with government ministers and officials and with European businessmen. As you know, my colleagues and I were engaged in carrying out the will of Congress in administering the Economic Cooperation Act and its successor acts. This legislation was very clear in its statement of United States policy objectives in Europe—that great efforts must be made to increase productivity, and that progress should be made toward the economic unification of Europe in order that a strong and stable base for the defense of the West could be built. It was widely assumed in Europe, and I think rightly so, that the United States in making its great gifts of resources, of money, of technical and managerial skills, was prepared itself to follow economic and trade policies which would support that purpose, and enable Europe to maintain a high level of economic activity and strength once it was achieved.

The Europeans were pressed very hard by us to dismantle their network of quantitative restrictions and exchange controls as they applied among themselves, and very substantial results have been obtained. It was not an easy thing to do because in every nation pressure groups had grown up demanding protection and resisting liberalization of these restrictions. You would be amazed at the number of times we were told over there, by minister and high officials, that if the quota on such and such a product were lifted, the Government of the country concerned would fall. Yet steady progress has been made and restrictions have been eliminated to the point where today over 80 percent of the private trade in Europe moves freely and the goal for the immediate future is 90 percent.

At the same time great progress has been made in the elimination of discrimination against dollar goods. Today Belgium, the Netherlands, and Luxembourg have freed 86 percent of their private imports from the dollar area of any restrictions; Denmark, 38 percent; Italy, 24 percent; Switzerland, 98 percent; Sweden, 40 percent; United Kingdom, 50 percent; and Germany, 70 percent. These figures, of course, refer only to quantitative restrictions and currency controls, not to tariffs. European tariffs have been reduced along with those of the United States in the post war tariff negotiations at Geneva, Annecy and Torquay, on a reciprocal basis. There is not any general tariff discrimination against the United States by European countries, or, in fact, by any of the GATT countries. The main exceptions to this generality are the preferential rates in force in the sterling area and the customs union of the Benelux. We, of course, have our own counterpart of these systems in our preferential rates with Cuba.

To return to the question of quantitative restrictions and exchange controls which everyone agrees are the main obstacles we face in selling our goods abroad. I believe that in view of the progress I have just indicated we can be confident that these countries will continue their program of removing dollar restrictions as their gold and dollar position improves. The passage of this legislation by this Congress will, of course, help to enable them to continue that improvement.

Perhaps a word here on the subject of convertibility of currencies might be useful. Experts agree that most of the major currencies of the world are not far from convertibility now and that one of the major reasons why governments hesitate to take the plunge is because of the uncertainties surrounding future United States policy, particularly trade policy. Passage of this act would assist greatly in giving the governments concerned the necessary confidence.

As I have said, there was a common assumption in Europe based on what seemed to all to be common sense, that the United States was prepared, after having poured its money and resources into Europe for the purpose of creating an area of economic strength in the part of the world, to follow economic and trade policies which would support that purpose. I cannot deny, however, that there was an underlying fear that when the first great effort was over, the United States would retreat to some form of economic isolationism which would go far in the direction of nullifying the progress that had been achieved.

This kind of fear can be demoralizing in its effect on the efforts of both individuals and governments. If the policy of the United States should be such that no one could be sure from 1 month to the next or

1 year to another what kind of barriers to trade might be erected, a great deal of what we have sought to accomplish in Europe would be lost and the Europeans of necessity would have to look for other means than close economic relations with the United States to maintain and increase their strength and prosperity. This would represent a loss on both sides—a loss in solidarity among the nations of the free world and I think inevitably a loss of one of the means of increasing our productivity and our standards of living.

I should like to repeat what I said before—that I am not advocating free trade. I am advocating stability in tariff policy. I think if Europeans had their choice of two alternative policies for the United States to follow: (1) a policy of possible tariff reduction but subject to constant uncertainty of revision upward, and (2) a policy of tariff stability with little or no change upward or downward, the Europeans would choose the second. No businessman and no government can do effective forward planning without some confidence that commercial policies in the country where it wants to sell, are not likely to be changed.

It seems to me that H. R. 1 represents the kind of a policy we ought to have; one of careful, selective, moderate tariff reduction. The peril point provision I have never liked, but it is here, and the elaborate procedures for public hearings before tariffs are changed lead me to acquiesce to its retention. The escape clause offers a means of correcting any errors that may be made and while it tends to defeat the objective of stability, I think the record of only 15 cases of injury recommended to the President, and only 5 approved, out of many thousands of tariff reductions made since the reciprocal trade agreement program started, is an indication of pretty good stability in practice. I would not favor, however, any amendment to this proposed act which would increase the ease of raising tariffs.

Adjustments are going on in our economy all the time. Those caused by import competition are among the least important both in magnitude and effect. When one thinks of the vast technological changes and adjustments which have occurred only in the past 10 years and looks ahead at the prospects for the next 10 years, he must realize that import competition cannot be anything but a minor factor in the kind of industrial change which has taken and will take place in America.

But we must have export trade—the more of it the better—and we cannot have the one without the other. The larger total foreign trade we have, the more secure we are and the more certain of the maximum development of our own domestic resources.

Therefore, I believe it is vital to the welfare of the United States and of the free world, that Congress continue the trade agreements program by the enactment of H. R. 1 without restricting amendments.

Senator MALONE. Thank you.

J. G. Lerch, American Producers is listed here.

Mr. Lerch, are you available?

Mr. Lerch, You may identify yourself for the record and proceed in your own way with your statement.

Glad to see you.

STATEMENT OF JOHN G. LERCH, LAMB & LERCH, NEW YORK CITY

Mr. LERCH. My name is John G. Lerch of the firm of Lamb & Lerch, 25 Broadway, New York City.

I am an attorney specializing in the practice of customs law and I represent here the individual members of the 10 following associations:

American Manufacturers of Thermostatic Containers.

The Candle Manufacturers Association.

Collapsible Tube Manufacturers Association.

The Industrial Wire Cloth Institute.

The National Building Granite Quarries Association.

The Rubber Footwear Division of the Rubber Manufacturers Association.

The Toy Manufacturers of the U. S. A., Inc.

The Twisted Jute Packing and Oakum Institute.

United States Potters Association.

The American Manufacturers of Toy Balloons.

On behalf of the United States manufacturing concerns whom I represent here, and on my own behalf personally, I am opposed to enactment of H. R. 1.

What I say here may be brushed aside and soon forgotten, but the foregoing manufacturers cannot lightly brush aside the very real problems with which they are confronted in their struggle to combat the unfair competition of low-labor-cost imports from abroad. It is not alone the capital structure of their businesses which is being undermined; the welfare of a substantial proportion of their employees is also at stake.

For years in this country we have been administering parities on our agricultural and related products and have erected import restrictions to protect them.

There are some beneficiaries of this means of largess on the part of our Government that are before you now, seeking amendment to this bill to force the administration and the Congress to provide not only the largess extended them, but request further import quotas to protect them against foreign competition of goods imported at less than their American costs, even with the Government subsidy.

We have no quarrel with their position—in fact, we are for it. What we question is why one attitude is displayed as to those engaged in agriculture and its related products, and another attitude toward those engaged in industry and labor.

Let us look back a little on our history as a Nation, and that which has made possible the Marshall plan, NATO, and many other plans we have pursued in the last 20 years. They are all based on one premise. "We must maintain our production."

Production maintained under parities, subsidies and quotas, must be underwritten somehow.

The United States has become the most prosperous Nation in the world through the realization, I believe, that the worker is the best customer of the farm and factory and up to 1934 he has been nurtured and protected until he has now from 4 to 10 times the buying power of the foreign worker in a comparable job.

By the operation of the trade-agreement policy are we attempting to transfer the buying power of the American worker to his foreign competitor and thus raise his standard of living?

If this is the purpose, and I have heard it alleged, I seriously doubt its efficacy. The benefits received from increased profits from trade with the United States by virtue of our tariff reductions is often taken by cartels and state-controlled industries and very little has filtered through to the worker. Twenty years of the operation of this program and our other gratuities has not been appreciably reflected in the wage rates and living standards of our foreign competitors.

Since 1934, has there been any like concern displayed on the part of any administration toward industry and labor?

After all, labor has to buy the products of the farm, our mines, wells, etc., and, wherein will it derive the means, except through industry?

Constantly, since 1934, our Government has been whittling down tariff rates under the Trade Agreements Act (1934); rates which in 1930 were approximately 50 percent, to a present 12½ percent.

My question is if we have so amply provided for our food and comfort supply; why have we endangered our industrial and labor supply?

To put it mildly, without attempting to analyze the purpose, our present system is irreconcilable—protection, subsidy, parities, etc., for agriculture—reduction in protection for labor and industry from 50 to 12½ percent since 1934—and yet we are now in the process of negotiating a treaty with Japan to further reduce tariff rates on her products—and not necessarily her products, but those of other nations that may trade with her on manufactured articles.

These rates are extended to all nations of the world. Any rate in any trade agreement is in fact a statutory reduction of a tariff rate.

By way of illustration, may I point out that in 1943, in a treaty with Iceland, the rate of duty on tunafish packed in tins was reduced.

From my investigation, there had never in the history of Iceland been tuna packed in tins. Tuna are not native to Iceland and Icelandic vessels do not reach tuna areas. But since the rate was reduced, Japan packed tuna in a manner that subscribed to the Icelandic treaty and has now taken over a substantial market in the United States. So far there has been no answer to this problem, but we plow on.

In 1951, Congress realized that things were all one way and reinstated section 516 (b), which enables an American manufacturer to contest the classification or appraisal of imported merchandise.

But by any principle, foreign-made merchandise should not be allowed to enter this market at less than it cost us to produce it. Yet foreign manufactures are being imported into this market, and offered at a profit to the importer, at less than the cost of the materials that entered into the production of the American made article.

This, because of the reduction of duties since 1934 under the Trade Agreements Act.

On behalf of those I represent, I ask that this bill be defeated.

If it is defeated, all rates that have been reduced will remain the same indefinitely, since every trade agreement that has been negotiated

since 1934 is self-executory, and cannot be terminated without notice by either party.

But I cannot leave this stand without calling to your attention that all of the reductions in trade agreements have been unconstitutional.

I have a suit in formation whereby I hope to try the issue of whether or not any reductions from the rates of the Tariff Act of 1930 were legally made. This is a constitutional question, which I have advanced from the inception of this bill—its unconstitutionality.

In 1934, I appeared here to advise against the enactment of this bill and I have appeared both in the House and Senate, when permitted, on each extension of the bill, but so far as I can perceive, no one has ever given a thought to its constitutionality.

So far as I can recall from memory or can find in the record, no Finance Committee of the Senate has ever taken cognizance of the possible unconstitutionality of the Trade Agreements Act of 1934, nor any of its extensions since 1934. May I respectfully suggest that consideration of the basic constitutionality of H. R. 1 should be made a paramount issue by your august body in your deliberations on this currently proposed further extension of the Trade Agreements Act of 1934?

I have since 1934 expounded my views on the constitutionality of this act, constantly referring to the opinion of the Honorable James M. Beck, former Solicitor General of the United States, delivered on the floor of the House when he was then a Member of the House and this bill was under debate there.

A copy of this speech was printed, by permission of the Ways and Means Committee, as part of my testimony before that committee on May 1, 1953, but was formerly reprinted in pamphlet form on March 19, 1951, by Senator Edward Martin, of Pennsylvania.

I am informed that there has been recently filed in the District Court for the District of Columbia a suit to test the constitutionality of the Trade Agreements Act.

I have referred to my suit which will be brought in the United States Customs Court. One of these will undoubtedly reach the Supreme Court of the United States.

As evidence that the sponsors of the initial Trade Agreements Act of 1934 had doubts of its constitutionality, they took care at the very outset to suspend the operation of section 516 (b) (of the Tariff Act of 1930), on any article the assessable duty on which might be reduced under the provisions of the Trade Agreements Act of 1934.

Section 516 (b) gave American producers of competitive merchandise (competitive with like or similar articles produced abroad) the right to litigate in our United States courts the proper classification of such imported merchandise.

It was not until the Trade Agreements Act of 1951, that the Congress wisely saw fit to restore the provisions of section 516 (b).

The operation of another vital section of the Tariff Act of 1930, section 336, which had to do with comparative costs, was also specifically suspended by the sponsors of the Trade Agreements Act of 1934.

This section is vital to the proper ascertainment of the rate of duty of any imported merchandise.

Prior to 1934 it had been in force since 1922 and had successfully stood up under repeated litigation; see *Hampton & Co. v. United*

States (276 U. S. 394), wherein it was held that section 336 of the Tariff Act of 1930 was constitutional because it erected a limitation to the powers which the Congress had delegated to the Tariff Commission and the President in connection with the determination of proper rates for imported merchandise.

No such yardstick or limitation has ever been erected in any Trade Agreements Act, or the negotiations thereunder.

In the President's message on the state of the Union, he intimated that our expansion of foreign trade was to be accomplished without injury to our domestic industry. Certainly, if foreign merchandise can be imported and sold in United States markets at less than the cost of producing a like or similar American made competitive product, American industry will suffer injury.

It was against that kind of foreign competition section 336 operated.

If the administration truly intends to administer the proposed Trade Agreements Act of 1955, in a manner which will not endanger American industry, a very simple means of accomplishing that would be to reinstate the operation of section 336 of the Tariff Act of 1930, as a provision of H. R. 1. I believe that should be done if the bill is enacted.

This bill, if adopted, is just the bellwether of what is to come. In it, in addition to the present executive powers to reduce rates, you will provide for an arbitrary reduction of existing tariff rates (now averaging 12½ percent), by 3 yearly reductions of 5 percent, and a reduction of all rates over 50 percent to that level.

Add to that the 14 percent reduction in income tax on income made abroad, proposed by the President in his message on the state of the Union, and the recent press report of United States Foreign Aid Chief Stassen to the effect that we would enter a program based on free enterprise for Asia aimed at industrialization, better food, clothing and housing, in which Japan's industry would be given a major role, and you have a truer picture of what is expected of the proceeds of American industry and labor.

Add to this the program of the Randall Commission, apparently adopted by the administration, that the labor and investment that is displaced is to be subsidized, and you have an additional burden on remaining industry and labor, since that will be the only source of revenue.

And yet we have the assurance of the administration that this will be carried out without disrupting our economy. How? You have not been informed.

Some of the domestic enterprises which I represent here have spent millions of dollars on research and development of modern and efficient equipment of their plants, yet the proponents of H. R. 1 would have us believe that American industry is still operating in the horse-and-buggy era; that if American industries cannot increase their productivity to a point where they can compete with cheap foreign labor, they should shift into other fields of endeavor.

Does the administration mean that if an American industry cannot operate with an arbitrary 50-percent tariff, it should junk its equipment and years of know-how and start over in some other field? What field? The chosen fields of some of those foremost American indus-

tries which are frequently spoken of as prospering in international markets?

It is true that some of our foremost American industries do thrive in international markets, but that may not altogether be so much because of efficiency in operation, is due to the fact that some of those foremost industries own international patents which afford them protection from competition the world around.

That, it would appear might apply to the automotive, typewriter, and business-machine industries. Those industries need no tariff protection; our Government gives them a monopoly through their patents and by that means protects them against foreign competition.

At that, there is a 10 percent ad valorem duty on automobiles which has never been cut or disturbed in any way in any trade agreement.

Why is that 10 percent inviolate when an industry which the Tariff Commission had determined cannot survive on a rate of less than 75 percent, or perhaps more, and must be subject to an arbitrary cut to 50 percent?

The Trade Agreements Extension Act of 1954, approved July 1, 1954, section 2, reads:

SEC. 2. No action shall be taken pursuant to such section 350 to decrease the duty on any article if the President finds that such reduction would threaten domestic production needed for projected national-defense requirements.

It will be seen that this provision leaves with the President the obligation to find that a reduction would threaten domestic production and national-defense requirements. This has been construed to mean that only the President may make such a finding.

This would seem to be one of the facts inherent to a finding by the Tariff Commission under the escape-clause provision of existing law, which would place the jurisdiction within the Tariff Commission, to make a factual finding in this respect and to receive evidence leading to such a finding.

As this provision is now, it permits of an arbitrary finding without an opportunity on the part of domestic industries to offer testimony as to defense necessities.

Certainly, the Congress does not intend to abolish an industry necessary to national defense. To insure this, it should include in H. R. 1 a provision requiring the United States Tariff Commission to make a finding in its recommendation to the President upon this fact.

I suggest the following:

Insert in section 4 of H. R. 1 subsections to read as follows:

Subsection (b), section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364) is hereby amended by changing the period at the end thereof to a comma and adding the words "and the relation of the industry to national defense and national security."

May I insert there that section to which I have suggested the amendment is the section which defines the jurisdiction of the Tariff Commission to conduct these hearings.

Senator MALONE. Mr. Lerch, I think you made a very important contribution here. I am very much interested in your contemplated suit on the constitutionality of the act since there has already been filed a suit against the Secretary of Treasury for collecting unconstitutional duties—

Mr. LERCH. I selected another forum, Senator. Some years back I tried to get into the district court in the southern district of New York on a customs question and they left me standing out in the middle of Foley Square, stating that was a customs matter over which only the Customs Court has jurisdiction, and that they were so constituted to take away from the district court that jurisdiction and that is where I should go.

Therefore I brought this suit under section 516 (b), which is a longer process, surrounded with more redtape but I expect next month to be in court.

Senator MALONE. Have you discussed the matter with any of the attorneys connected with this suit?

Mr. LERCH. No, I have not.

Senator MALONE. I wish you success. There is little question but what it is unconstitutional. If it could be tried at least it would seem to the layman it would certainly be unwise if it is not unconstitutional.

Mr. Lerch, you have heard testimony from some people who are for the extension of the act on the theory of the greatest good to the Nation.

You do understand that the principle of protection was changed in 1934 from a principle on fair and reasonable competition to a principle allowing the Executive to take into consideration international political factors and domestic factors, not contemplated by any Congress before that time.

Mr. LERCH. It is that and other reasons that I have brought this suit on the constitutionality.

Senator MALONE. Do you agree with Secretary Dulles that when he says that he did not think you could have imports without some damage and if your rule is that you will not have imports or tariff reductions or sustain them if there is any damage to anybody, then I think it becomes automatically unworkable.

Mr. LERCH. I do not. My idea, Senator, of free trade is section 336 of the tariff act. In other words why should we—

Senator MALONE. I did not mean if you agree with him that it should be that way, but you do agree with Mr. Dulles that under the present act it would be unworkable if you did not operate it to injure some industries and build up others.

Mr. LERCH. I don't say there is any necessity to injure an industry.

Senator MALONE. There is no necessity, in my opinion, either, but under the theory of the act you are going to allow imports to build up foreign industry, then if that does result in building up another industry in this country you are remaking the industrial map of the Nation; aren't you?

Mr. LERCH. No question about that.

Senator MALONE. Well, then I don't think you understand my question. Apparently Mr. Dulles believes, and he says in effect, that if you do correctly administer this act it will result in damage to some of the industries, and he thinks it would be unworkable, automatically unworkable, if it wasn't operated that way.

Do you agree that if you do operate the act as it is now written, it will injure some industries?

Mr. LERCH. As it is now being administered; yes.

Senator MALONE. Well, your idea would be that what you would have to do would be to go back on the principle of fair and reasonable competition?

Mr. LERCH. Exactly.

Senator MALONE. And that is what is done in section 336.

Mr. LERCH. That was my proposal that I just made.

Senator MALONE. In the 1930 act. Well, you think that is about the only way to go back to a principle laid down by Congress allowing it to be technically carried out by a fact-finding body, that you can encourage new investors in a business in this country?

Mr. LERCH. If you are going to have a trade-agreement act, yes, but my thought is you can let this act expire, and you are no worse off. All that it would accomplish would be that you couldn't enter into any further reductions. Those that have been made would still continue until either party served notice that they be terminated and are just in status quo.

Since 1934 we have never had a normal economic period in which to test out the effect of these reductions that have been made. Why not have a breathing spell and see what they will do?

Senator MALONE. Well, of course, this is the ninth year since I have been here.

Mr. LERCH. I was a little ahead of you.

Senator MALONE. It seems to me that the only way you can put the confidence back in the investor, so that new people coming out of school and coming into the country can go into business here, invest their capital, taking 1 or 2 or 3 years to get ready to produce, that they have to have some principle laid down by Congress that they know they are only competing with the American producers, with the same taxes and ways of doing business. So that the duty is determined on foreign imports.

Mr. LERCH. That was the theory in which 336 was enacted in 1922.

Senator MALONE. Don't you think that is the theory by which we have built our standard of living higher than any other nation in the world?

Mr. LERCH. I don't think there is any question, and I so stated in my appearance.

Senator MALONE. What do you think will happen to our standard of living if we persist in our present course?

Mr. LERCH. It will just have to come down to meet that of our competitors. That seems to be the only logical conclusion.

Senator MALONE. So you think that when exponents of the extension of this act say that the customer is entitled to a lower-cost article, what they really mean is an article made by lower-cost labor?

Mr. LERCH. That is why some of my own clients, American producers, have gone over there and availed themselves of cheaper labor abroad to make articles to bring in in competition with their own American factories.

Senator MALONE. What are some of those articles?

Mr. LERCH. I would rather not state.

Senator MALONE. All right. But you heard Mr. Batt testify he didn't know of any such—

Mr. LERCH. I know of them and I have helped make arrangements to accomplish that and arrange for the importation of the manufactured article.

Senator MALONE. Well, don't you think that our very policy which we have adopted in the 1934 act not only encourages but demands that sort of action on the part of our manufacturers here, if they are going to survive?

Mr. LERCH. Not only that, but the act proposed in the President's message would put a premium on that, inasmuch as you get a 14-per-cent cut on your income tax on income made abroad, so you are not only getting the benefit of your cheaper labor, but a cut on your income made over there.

Senator MALONE. Then it would look—and I have quoted this on the Senate floor and in debates and in addresses elsewhere—like a conspiracy to destroy the American workingman and the small investor in this Nation?

Mr. LERCH. Well, it would have that effect.

Senator MALONE. I think you have made a very fine contribution to this record, and I appreciate your appearance here, Mr. Lerch.

Mr. LERCH. Thank you.

Senator MALONE. Martin A. Fromer, counsel, Cheese Importers Association of America. Go ahead.

Do you have a written statement?

STATEMENT OF MARTIN A. FROMER, COUNSEL, CHEESE IMPORTERS ASSOCIATION OF AMERICA, INC.

Mr. FROMER. I have a written statement. I have submitted copies of it, and in order to save time, I won't read that written statement, but a summary of it, if I may.

Senator MALONE. All right.

Mr. FROMER. My name is Martin A. Fromer. I represent the Cheese Importers Association of America. I would like to take this opportunity of thanking the committee for an opportunity to appear and present our testimony. We have submitted a statement for the committee and request that it be made part of this record, to follow my oral remarks.

The Cheese Importers Association of America is a nationwide organization comprising in its membership importers of a major portion of the cheese imported into the United States. Its offices are located at 51 Chambers Street, New York City.

This association supports the extension of the Reciprocal Trade Agreements Act. We approve and support the form in which the act was originally introduced in the Congress, and referred to the House of Representatives committee, which considered the bill.

Senator MALONE. Do you have a list of your firms, members of your association?

Mr. FROMER. Yes, Senator. We have a yearbook we get out each year. You will find it in that book together with certain other information.

Senator MALONE. Why don't you just submit the list to the reporter. If it is here, tear it out. It will appear at this point in the record as a part of your testimony.

(The list above referred to is as follows:)

MEMBERS, CHEESE IMPORTERS ASSOCIATION OF AMERICA, INC.

- The Ambriola Co., Inc., 42 Hudson Street, New York 13, N. Y.
 American Export Lines, 39 Broadway, New York, N. Y.
 American President Lines, Ltd., 29 Broadway, New York, N. Y.
 Antognoli & Co., Joseph, 310 West Superior Street, Chicago, Ill.
 Antolini & Co., 100 Hudson Street, New York 13, N. Y.
 Argentine State Line, care Boyd Weir & Sewell, Inc., 21-24 State Street, New York 4, N. Y.
 Associated Cheese Distributors, 430 South Anderson Street, Los Angeles 33, Calif.
 Atalanta Trading Corp., 77-79 Hudson Street, New York 13, N. Y.
 Bell, Theodore H., 100 West 42d Street, New York, N. Y.
 Bel Paese Sales Co., Inc., 60 Hudson Street, New York 13, N. Y.
 Bertschmann & Maloy, 56 Beaver Street, New York, N. Y.
 Bertolli Trading Corp., 100 Hudson Street, New York 13, N. Y.
 Borden Cheese Co., 350 Madison Avenue, New York 17, N. Y.
 Bragelli, Nino G., 100 Hudson Street, New York 13, N. Y.
 Cerruti & Cominelli, 99 Hudson Street, New York 13, N. Y.
 Chesman, Charles, 6 Harrison Street, New York 13, N. Y.
 Chicago Macaroni Co., 45-17 Pearson Street, Long Island City 1, N. Y.
 Columbia Cheese Co., 302 Greenwich Street, New York 13, N. Y.
 Daitch & Co., L., 3339 Park Avenue, Bronx 56, N. Y.
 D'Angiola, Inc., Domenico, 100 Hudson Street, New York 13, N. Y.
 Denmark Cheese Association, 17 Battery Place, New York 4, N. Y.
 Della Cella Co., 100 Hudson Street, New York 13, N. Y.
 Ditta Ciro Piro, via Genova 99, Naples, Italy.
 Ditta Ferdinando Auricchio, Auricchio-Piacenza, Italy.
 Ditta Michele Di Trani, Macomer, Sardegna, Italy.
 Dorman & Co., Inc., N., 73 Hudson Street, New York 13, N. Y.
 Emmenthal Cheese Corp., 6 Harrison Street, New York 13, N. Y.
 Esposito, Cyrus L., 105 Hudson Street, New York 13, N. Y.
 Fantis, A., 440 Pearl Street, New York 7, N. Y.
 Filippone & Co., B., 18 Passaic Street, Garfield, N. J.
 Fitelson Laboratories, Inc., 254 West 31st Street, New York, N. Y.
 Fontana Hollywood Corp., 468 Greenwich Street, New York 13, N. Y.
 Forum Import Corp., 100 Hudson Street, New York 13, N. Y.
 French Line, 17 State Street, New York 4, N. Y.
 Fratelli Fulvi, Viterbo, Italy.
 Galvanoni & Nevy Bros., Inc., 133 Watts Street, New York 13, N. Y.
 Gennaro Auricchio, S. P. A., San Giuseppe Vesuviano, Italy.
 Gerber & Co., Inc., 6 Harrison Street, New York 13, N. Y.
 Giurlani & Bro., A., 537 Front Street, San Francisco 26, Calif.
 Haram & Co., Inc., S. A., 39 North Moore Street, New York 13, N. Y.
 Hochstrasser, Walter, 64 Barrow Street, New York, N. Y.
 Hoffman Co., Inc., J. S., 179-183 Franklin Street, New York 13, N. Y.
 Holland America Line, 29 Broadway, New York 6, N. Y.
 Holland Cheese Exporters Association, 115 Broadway, New York 4, N. Y.
 Hudson Shipping Co., Inc., 8 Bridge Street, New York 4, N. Y.
 Icco Cheese Co., Inc., 25 Bergen Street, Brooklyn 2, N. Y.
 Intra-Mar Shipping Corp., 42 Stone Street, New York 4, N. Y.
 Kavli, O., Bergen, Norway.
 Kirchhoff & Co., August C., 1246 West Randolph Street, Chicago, Ill.
 Knudsen & Co., S. Holst, 105 Hudson Street, New York 13, N. Y.
 Laraja & Sons, S. A., 100 Hudson Street, New York 13, N. Y.
 Lekas & Drivas, Inc., 19 Roosevelt Street, New York 2, N. Y.
 Lekas Corp., N., 394 Greenwich Street, New York 13, N. Y.
 Lillian Dairy Products Co., 81-76 Cooper Avenue, Brooklyn 27, N. Y.
 Lily Lake Cheese Co., Inc., 347 Greenwich Street, New York 13, N. Y.
 Locatelli, Inc., 24 Varick Street, New York 13, N. Y.
 Locatelli, Mattia, Lecco, Italy
 Maisano Co., Pepe, 41-55 Minor Street, New Haven, Conn.
 Makris Bros., Inc., 458 Pearl Street, New York 7, N. Y.
 Merchants Trading Co., Inc., 99 Hudson Street, New York 13, N. Y.
 Monterey Cheese Co., 244 Jackson Street, San Francisco, Calif.
 Moore-MacCormack Lines, Inc., 5 Broadway, New York 4, N. Y.
 Musco & Co., 332 East 11th Street, New York, N. Y.
 Natural Nydegger Transport Corp., 11 Broadway, New York 4, N. Y.

Norwegian Dairy Sales Association, Oslo, Norway
 Oceano Shipping Co., 44 Whitehall Street, New York 4, N. Y.
 Olive Oil Industry, Inc., 260 West Broadway, New York, N. Y.
 Ossola Co., Inc., J., 155 Hudson Street, New York 13, N. Y.
 Packing Products Co., Inc., 82 Wall Street, New York 5, N. Y.
 Pastene & Co., Inc., 131 Hudson Street, New York 13, N. Y.
 * Popper Gray & Co., Inc., 411 West 17th Street, New York 11, N. Y.
 † Porazzi Co., M. A., 80 Wall Street, New York 5, N. Y.
 † Profumo & Co., L., 204 Franklin Street, New York 13, N. Y.
 Ritter & Sussman, 145 Emmet Street, Newark 5, N. J.
 Robin Packing Co., 339 Greenwich Street, New York 13, N. Y.
 Rodriguez Shipping, Inc., 500 Fifth Avenue, New York, N. Y.
 Rosenblum Co., The, 105 Hudson Street, New York 13, N. Y.
 Roth & Co., Inc., Otto, 179 Duane Street, New York 13, N. Y.
 Rothschild & Co., M., 80 Broad Street, New York 4, N. Y.
 Russo & Co., A., 466 West Chicago Avenue, Chicago, Ill.
 Ryser Co., Frank, 320 North La Salle Street, Chicago 10, Ill.
 Sartori, Inc., S. M., 145 Hudson Street, New York 13, N. Y.
 Schroeder Bros., Inc., 10 Beach Street, New York 13, N. Y.
 Schroeder Bros. of California, 510 Battery Street, San Francisco 11, Calif.
 Sclafani, D. & A., 181 Mott Street, New York 13, N. Y.
 Sclafani, Gus, 482 Glenbrook Road, Stamford, Conn.
 Schuman, Inc., Arthur, 401 Broadway, New York 13, N. Y.
 Societe Auxiliare Americaine, Inc., 8 West 40th Street, New York, N. Y.
 Societa' Romana per il Formaggio Pecorino, Roma, Italy
 S. Stern, Henry & Co., 44 Whitehall Street, New York 4, N. Y.
 Sunette Foods, Inc., 20 Harrison Street, New York 13, N. Y.
 Switzerland Cheese Association, Inc., 105 Hudson Street, New York 13, N. Y.
 Tupman-Thurlow Co., Inc., 155 East 44th Street, New York 17, N. Y.
 Uddo & Taormina Co., 107 Humboldt Street, Brooklyn 6, N. Y.
 Uges, Dirk, 167 Reade Street, New York 13, N. Y.
 Unione Cesearia Italiana, Milano, Italy
 United States Lines, 1 Broadway, New York 4, N. Y.
 Vandegriff Forwarding Co., Inc., 33 Broadway, New York 6, N. Y.
 Veego Foods, Inc., R. D. 2, Box 198, Plainfield, N. J.
 Westergaard & Co., B., 363 36th Street, Brooklyn 32, N. Y.
 Zuercher & Co., C. E., 313 North Carpenter Street, Chicago 7, Ill.

Senator MALONE. I will turn it back to you, Senator Long.

Mr. FROMER. As originally proposed, the President would be authorized under the act to enter into such agreements for the purpose of expanding foreign markets for the products of the United States by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production, and in doing so, remove import restrictions established under existing legislation whenever he finds that such restrictions are burdening and restricting the foreign trade of the United States.

The domestic dairy industry has contended that this authority granted to the President would permit him to override the provisions of section 22 of the Agricultural Adjustment Act. For all of the reasons set forth in our statement, which we submit herewith, we feel that the power granted to the President would strengthen our economy and it would be beneficial to the welfare and security of this Nation.

One-fourth to one-third of some of our major agricultural products must find markets abroad. We cannot live an isolated existence and maintain our present level of production and standard of living.

There are conditions under which import restrictions adopted under the provisions of section 22 of the Agricultural Adjustment Act, in order to protect a support program, have unduly burdened our foreign

trade and even our foreign agricultural trade, and should be eliminated.

Such is the condition with regard to restrictions against imports of foreign types of cheese. We are not referring to imports of Cheddar cheese, which would not be considered a foreign type of cheese. Specifically we are referring to Italian types, such as Reggiano, Parmesano, Provoloni, and Romano cheese; Edam and Gouda cheese, which are principally imported from Holland, and Blue-mold cheese, which is imported principally from Denmark.

These cheeses are distinctly foreign in their origin and the domestic production of these cheeses was originated and stimulated by foreign imports.

Aside from Cheddar cheeses, these are the only cheeses at the present time which are under import restrictions. The total imports of the restricted varieties in 1954 amounted to 15,157,000 pounds, or only about 1 percent of the United States production. This then is the minute quantity to which the import restrictions apply.

The total quota for these varieties amounts to 17,967,200 pounds, so that the actual imports were almost 3 million pounds short of the announced quota.

At this time I would like to place in the record the amounts of annual quotas for these varieties of cheese established by the President. For Italian types of cheese of the type specified, 9,200,100 pounds. Blue-mold cheese, 4,167,000 pounds. Edam and Gouda cheese, 4,600,000 pounds. These quotas have been apportioned between various countries of origin in varying amounts, and I would like to place in the record at this time the quotas according to type, variety and country of origin for the past quota year, if I may.

(The document above referred to is as follows:)

Actual quotas listed by country of origin which were issued for the quota year ending June 30, 1954¹

Country of origin	Cheese			
	Cheddar	Blue mold	Edam and Gouda	Italian type
Argentina.....		9, 190	310, 235	5, 108, 262
Canada.....	535, 987			
Denmark.....	189	3, 817, 658	72, 352	
Dominican Republic.....	500			
Eire.....	2, 355			
Finland.....			8, 161	
France.....		6, 315		
Italy.....		314, 029		4, 040, 492
Mexico.....	624			
Netherlands.....			4, 170, 829	
New Zealand.....	2, 231, 849			
Norway.....			2, 405	
Portugal.....			13, 609	
Sweden.....	5, 058		20, 580	
Total.....	2, 776, 562	4, 154, 633	4, 598, 171	9, 148, 784

¹ As of Mar. 31, 1954.

Senator LONG. Doesn't it pretty well boil down to the fact that in regard to certain types of cheese the public is going to buy them regardless of the price? There are certain imported cheese for which we have no competitors in this country, and the country is going to buy these cheeses no matter what the price is.

Mr. FROMER. That is true, Senator, and the fact is these cheeses are substantially higher in price than the domestic cheese. And in spite of that higher price, there is that demand from consumers for the type of cheese in question.

Now, it is our contention that if restrictions were removed—

Senator MALONE. By the way, Mr. Fromer, while we are on that subject, what is the price of cheese; what is the range of the price as compared with domestic cheese?

Mr. FROMER. I have with me the New York Journal of Commerce, of yesterday, Tuesday, March 15—

Senator MALONE. Just give us a general idea.

Mr. FROMER. Where they quote these specific cheeses. Domestic Provoloni cheese, fresh, 44 to 46 cents a pound, aged, 50 to 53 cents a pound. The same variety from Italy, 85 cents to 90 cents a pound, as you can see, very substantially higher in price.

The other variety, domestic Romano cheese, 66 to 68 cents a pound. From Italy there are two different types of Romano cheese. One is 80 to 85 cents a pound, the other \$1 to \$1.05 a pound, but I might say those cheeses are made from sheep's milk as compared to our cheese made from cow's milk.

Senator MALONE. What is that price for sheep's milk cheese?

Mr. FROMER. Eighty to eighty-five cents and \$1 to \$1.05 a pound. We import that type of cheese, however, from cow's milk from Argentina, and the price quoted here is 69 to 72 cents a pound, although I am advised that it is hard to secure any cheese at that price of that variety.

Then the next variety under control is blue-mold cheese, and this paper quotes domestic blue cheese, 51 cents to 54 cents a pound, and Danish blue cheese—

Senator MALONE. Well, that gives us a pretty good range.

Mr. FROMER.. At 55 to 60 cents a pound.

Senator MALONE. What is the price of the domestic cheese ordinarily competitive with it, if there are any cheeses, domestic cheeses, competitive with it? What are the prices of the domestic cheeses?

Mr. FROMER. I have just given you the price of the domestic and the price of the imported cheese.

Senator MALONE. I thought you were still on the foreign cheese.

Mr. FROMER. No, in each instance I have given you the type of cheese, the domestic cheese price and the imported cheese price.

Senator MALONE. Well, then you were talking about the cheese here, 44 cents as against 50 cents imported cheese?

Mr. FROMER. No.

Senator MALONE. And domestic cheese was 44 cents and the imported cheese 50 cents, your first figure?

Mr. FROMER. No. The first figures were the range of price for the domestic Provoloni from 44 to 46 cents. In other words, the same cheese to one store may be 44 cents or to another 46 cents per pound of domestic Provoloni, and at the same level of trade for imported Provoloni the price was in the range of from 85 to 90 cents a pound. In other words, you would have to compare 44 cents to 85 cents as the bottom of the range, and 46—

Senator MALONE. This is the same type of cheese?

Mr. FROMER. The same type of cheese, only in the one case it is made in Wisconsin or some other Midwestern State, and in the other case it is made in Italy.

Senator MALONE. Well, now what is it that you are complaining about in this regard? Is it that this cheese, foreign cheese, is prohibited to come in?

Mr. FROMER. No; that it is restricted. Its imports are restricted.

Senator MALONE. To a certain amount?

Mr. FROMER. To a certain amount, that's right, and we are also complaining that those restrictions are divided up and administered in such a way as to seriously interfere with our business, and also burden international trade, and that if the language of the Trade Agreements Extension Act were in the form in which it was introduced originally in the Congress, it would empower the President under these specific facts, if he found that it was for the benefit of American trade and that these restrictions were a burden on international trade, it would permit him to alleviate and possibly remove these restrictions.

Senator LONG. Hasn't that been changed to take that out now, or is it still in the bill the way it was passed on the House side?

Mr. FROMER. No, that has been taken out of the bill in the form in which it passed the House, and the form before the Senate is with that provision out.

In other words, in the original bill in section 3, section 350 of the Tariff Act of 1930 was proposed to be amended by providing that "except as authorized by subparagraph (B) of this paragraph, no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States."

Now, section (B) provides that the President shall have the power—

To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.

Now, the domestic dairy people who appeared before the House Ways and Means Committee and before this committee contended that this proviso in this section would permit the President to override the provisions of section 22 of the Agricultural Adjustment Act.

It is our contention that this provision in the original bill would not be inconsistent with section 22 of the Agricultural Adjustment Act, but would give the President the power, where the conditions are met, as provided in this section 350, of expanding foreign markets for the products of the United States, and where the President finds as a fact that existing import restrictions are on duty burdening and restricting the foreign trade of the United States, then in such circumstance he may make a trade agreement to foster American foreign trade.

Senator MALONE. Let me ask you another question there. I am still a little confused because it must be an unusual industry. Certainly milk in Italy is not expensive. The wages are low. What causes the great discrepancy in price? What makes the Italian cheese so much higher priced if the Italian-made cheese and the American are of the same character?

Mr. FROMER. Well, for one thing I think that our production means are more efficient than theirs. There is a great deal more of hand

labor, perhaps smaller quantities being handled. Also the fact that cheese commands, foreign cheese commands, a higher price, and has for a long time, and has a certain demand at which it can command the higher price. All these factors go into bringing the cheese—

Senator MALONE. It isn't a question of whether they will command a higher price. Do they need a higher price to make a profit?

Mr. FROMER. Frankly, Senator, I haven't examined their economy to determine whether they do or they don't.

Senator MALONE. Does it have anything to do with the inspection under the Pure Food and Drug Act?

Mr. FROMER. I don't think it has anything to do with the inspection, because I have been in milk plants and factories in various countries in Europe, and I daresay I have found them in excellent condition, spick and span, and I have been in plants in Denmark and in Holland and in Italy, and I think they measure up to the cleanliness in our own plants.

Senator MALONE. Do we have any such inspection when it comes in here that makes it more expensive?

Mr. FROMER. We have inspection; yes. We have such inspection. The Pure Food and Drug Act applies exactly the same to imported products as it does to domestic products. And I might say there seems to be some misconception in that regard. The same standards are applied. As a matter of fact, I would say that more imported cheese is examined than domestic cheese. That is to say, we make 1,350 million pounds of cheese in this country. Only a very small portion of that can possibly be examined by the limited personnel of Food and Drug. Yet every pound of cheese that passes through our ports is subject to inspection by the Food and Drug Administration. I don't say that they inspect every pound, but it must pass through the hands of the Food and Drug Administration. The same isn't true with regard to domestic cheese.

Senator MALONE. I am looking for the gimmick. There must be one some place.

Mr. FROMER. There is no gimmick, Senator.

Senator MALONE. Well, let's explore it a little bit.

Mr. FROMER. May I say this: That more cheese came from abroad before the war than is imported at the present time, in spite of the fact that within the last 15 years we have had a tremendous growth in cheese production and cheese consumption, and when it did come here before the war it was priced higher than the domestic cheese, so there must have been a gimmick at that time, too.

Senator MALONE. What you are complaining about then is the quota that you are allowed to bring in?

Mr. FROMER. We are contending that there is no need and no reason for import restrictions against the imports of these foreign types of cheese.

Senator MALONE. What sort of import restrictions? What are you complaining about?

Mr. FROMER. We are complaining about the import restrictions, Senator.

Senator MALONE. The tariff or the quota system?

Mr. FROMER. The quota.

Senator MALONE. Well, now maybe we are getting closer to it. What is the quota system? Just explain exactly how it operates.

Mr. FROMER. The President, by a proclamation under section 22 of the Agricultural Adjustment Act, has the power to fix a quota on products that are under a support program. In the case of cheese he has fixed the quota for the varieties I have indicated to you in the amounts that I have indicated to you.

Senator MALONE. What are the amounts, generally speaking?

Mr. FROMER. Well, the total quota of all of the foreign types under quota are approximately 18 million pounds.

Senator MALONE. Eighteen million pounds that you are allowed to bring into this country under the quota system of all types of cheese?

Mr. FROMER. No, of the types that are under control, not all types are under control. Annexed to my statement, Senator, is a tabulation of all cheese imported into the United States.

Senator MALONE. What page?

Mr. FROMER. Well, it is the table right at the end. Now, if we refer to that, Senator, perhaps we can understand a little better. As you will note, the last column down on the right-hand side, the total imports—

Senator MALONE. This is not manufactured—oh, you have another table, the last table.

Mr. FROMER. That's right. The total imports for 1954 were just short of 50 million pounds. Incidentally, you will notice that the earliest year on this table was 1931, and imports that year were 60 million pounds.

Senator MALONE. 56 million it says for 1953.

Mr. FROMER. Yes. I said the earliest year, 1931. If we go back, we have the total of 60 million pounds.

Senator MALONE. Now it is 50 million pounds, 10 million less.

Mr. FROMER. That's right.

Senator MALONE. Was there any quota system in 1931?

Mr. FROMER. No; there was none until 1951.

Senator MALONE. Still there was a spread in the price?

Mr. FROMER. That's right.

Senator MALONE. Similar to the spread now?

Mr. FROMER. Well, in 1931 we didn't make, I don't believe, any blue cheese. I know we didn't make any blue cheese.

Senator MALONE. In America?

Mr. FROMER. In America. We made little, if any, Italian types. I don't think we had any production of these varieties in 1931, to speak of. If you will just turn to the other table—

Senator MALONE. Which one?

Mr. FROMER. That is amounts manufactured in the United States. You will find in 1931 we didn't produce any blue-mold cheese, and the Italian cheese we produced—

Senator MALONE. What is the name of it?

Mr. FROMER. Blue-mold. There was none. And in 1931 we produced—

Senator MALONE. Now we are producing blue-mold cheese?

Mr. FROMER. Yes, if you will see further down on that list, we are producing 10 million pounds per year.

Senator MALONE. Ten million pounds?

Mr. FROMER. That's right.

Senator MALONE. That is just about what was cut off your 60 million pounds; wasn't it?

Mr. FROMER. Well, 60 million down to 50 takes in all varieties of cheese. We are not contending that the difference was all Italian cheese.

Now, you will notice that the Italian cheese production in 1931 was 31½ million pounds. At that time we were importing the Italian varieties and at least two-thirds of the 60 million pounds was Italian. So we must have been importing about 40 million against domestic production of 31½ million.

Right now we are producing about 66 million pounds of Italian type cheese as against that. Now we have a chart annexed to the statement and you can see it very vividly, that in 1931 the total domestic production was 492 million pounds, the imports were about 32 million, and the production was shot up to 1,353 million, whereas the imports have, if anything, gone down. We say that this picture here indicates no necessity for import restrictions.

Senator MALONE. Imports are down 10 million pounds?

Mr. FROMER. That's right. Where normally, if we follow this growth, you will notice on the same chart the per capita consumption was 4.4 pounds per capita in 1931, it is now up to 7.7 pounds per capita.

Senator MALONE. Would you say that all of these importations run maybe 25 to 30 or 35 percent higher in price sold on the market here than domestic cheese?

Mr. FROMER. No; I wouldn't say that, Senator.

Senator MALONE. Do they all run consistently higher?

Mr. FROMER. Yes.

Senator MALONE. They are sold on the market consistently higher?

Mr. FROMER. The cheeses I have indicated to you all run consistently higher, and I have given you the prices of each.

Senator MALONE. They make up the great bulk of the imported cheese?

Mr. FROMER. Oh, yes.

Senator MALONE. The ones you mentioned?

Mr. FROMER. That's right. It is our contention that removing the import restrictions would make no great change in the amount of imports, and even if they went up as much as 20 percent, there being only 15 million pounds restricted cheese imported, that would amount to only 3 million pounds, which is absolutely insignificant when you compare it with production of well over a billion pounds.

In fact, an examination of the record indicates that certain cheeses have been decontrolled, and after they were decontrolled, there was no significant increase in imports. In fact, they went down.

Senator MALONE. This seems to be an exception where there is a prohibition upon imports above a certain amount, that is to say quotas, where the price runs consistently higher than the price of the domestic competitive product.

Mr. FROMER. That's right. I have listened to a lot of testimony here about lower prices of products from abroad. This is the reverse of that.

Yet we are faced with import restrictions, the theory being, if I may say, that a pound of cheese imported is a pound of cheese, of domestic cheese, displaced. We say, well, you can say the same thing about almost any other product that is imported, that an imported

product can be contended to displace a domestic product, yet it is not good business to keep out all imports.

Senator MALONE. I have discussed this matter, not about cheese. I am not a cheese expert at all, but generally a product where a tariff or a duty is imposed to equalize the price, that if the foreign product costs a little bit more, whether it is a certain type cloth or some other import, and I want to buy it or someone else, and I am willing to pay the slight difference, it has been our contention that a tariff or duty that equalizes the price doesn't stop the import because it will come in when you need it, or if there is a demand for it.

I just want you to understand this exactly. The price is consistently higher and still the quota is imposed?

Mr. FROMER. That's right.

Senator MALONE. You don't know of any fundamental reason for that imposition of a quota?

Mr. FROMER. Oh, yes; I am familiar with the fundamental reason.

Senator MALONE. What is it?

Mr. FROMER. We have got a support price on milk. It is a dairy product. Cheese is a dairy product. Cheddar cheese is supported. If we didn't import a pound of Provoloni we might make another pound of Provoloni out of our milk. Therefore, although the imported is much higher in price, even double the price, we are going to force the consumer to eat the domestic Provoloni or no Provoloni at all, and thereby use up our milk.

Senator MALONE. Then we do give our powdered milk and our agricultural products, practically give them away to foreign countries, don't we, on different occasions?

Mr. FROMER. Well, I don't approve of that either.

Senator MALONE. It makes little sense there if you are going to support the price of products in this country, the taxpayers are—

Mr. FROMER. I would just like to read this piece from my statement in that connection.

The difficulty we are in with regard to our dairy surpluses is certainly not due to imports, but to the tremendous and ever-increasing production as compared with decreasing consumption. This conclusion is amply supported by the tables submitted with our statement.

Milk production for 1954 was at an all-time high of almost 124 billion pounds. Per capita consumption, however, of fluid milk and cream was down from a high of 399 pounds in 1945 to 352 pounds in 1954.

Butter consumption is down from an average in 1935 to 1939 of 16.8 pounds per capita to 8.6 pounds per capita in 1953.

Senator MALONE. Does that take into account the oleomargarine consumed?

Mr. FROMER. This is the statistics for butter. If people switched to oleomargarine, there was a reason.

Last year there was an increase indicated to 9 pounds per capita, due no doubt, at least in part, to a reduction of the support price. Thus we have a picture of high supports stimulating high production and discouraging consumption because of the fixed high price, and the natural result is the surpluses with which we are burdened.

Senator MALONE. The oleomargarine is considered cheaper than the butter, isn't it?

Mr. FROMER. Very much cheaper, and there was a natural resistance, I think, on the part of consumers to buy oleomargarine, and replace butter with oleomargarine, but your resistance can only be so strong.

And as the price margin gets bigger and bigger, that resistance is broken down in more and more families, until they find maybe oleo isn't so bad.

Now, I think that by a reduction of the support price some consumers have evidently been weaned away and are going back to butter, and that is why we have an increase.

Senator LONG. To what do you attribute the fact that the per capita consumption of fluid milk has also been reduced?

Mr. FROMER. I think that also there the increasing prices have an effect, the high cost of milk and milk products have an effect with regard to how much is consumed. I think that if the price of milk came down there would no doubt be an increase in consumption, and I know also that there is a great deal of promotion going on with regard to trying to sell more milk and more dairy products.

I notice that the former Governor of New York, speaking at a dinner yesterday, said that if every person in the United States drank an ounce and a half more milk a day, we would have no surplus.

Senator LONG. In Louisiana we expanded our school-lunch program and started a lot of children to drinking milk at school that weren't drinking milk before, and we just about doubled the consumption of milk in that State, so there are always ways of moving some of this milk surplus if people were to get about it.

Senator MALONE. No, Senator, this intrigues me, because we dump hundreds of products. There was a differential in the price. Here you are on the other end of the thing where the product costs more, and this is the first product I have ever heard of that costs more than the domestic product that anyone is asking protection from, although I can see if Congress has gone to support there, that they might think that it costs the taxpayers more money if they did let this cheese in. But this is an innovation.

Mr. FROMER. I think it is a unique situation. There are more facts in it that make it even more unique, because not only are you restricted to the amount of cheese that we can bring in, we are restricted to the countries that it can come from.

So that in effect we are not only saying we are only going to leave in so many pounds, but you have got to bring it from such and such countries. For example, we are told with regard to the Italian types of cheese that we are to bring in no more than 5,100,000 pounds from Argentina and 4,040,000 from Italy.

Now, it so happens that Argentina just doesn't have any cheese at the present time. So we just can't bring the cheese in. We have asked the Department of Agriculture to permit a transfer of that license to Italy. The Department has permitted us a very restricted transfer, and then restricted only to certain varieties.

Now, the peculiar part is this: that the cheese for which there is the greatest demand is the Provoloni. The cheese with regard to which there is the great discrepancy, one of the greatest discrepancies in price of imported over the domestic, is the Provoloni. Yet that is the variety which they have not permitted the switch to take place on.

But they have limited it to only the hard-grating cheeses which are generally closer priced to the domestic cheese than the Provoloni.

Now, this is just one of the idiosyncrasies of administrative control and restrictions on an industry.

Senator MALONE. A real cheese connoisseur, people that understand cheese, which I do not pretend to do—I know when I like it and when I do not like it—but real connoisseurs of cheese could tell me if the cheese manufactured in Italy and in other countries is better than our own of that same grade.

Mr. FROMER. Well, a connoisseur will tell you that it has certain distinctive qualities which are not duplicated in this country.

Senator MALONE. Is it in the food value or the taste or aroma?

Mr. FROMER. Oh, the taste, the flavor, and aroma.

Senator MALONE. Not the food value particularly?

Mr. FROMER. No, I don't think that there is any question of food value that enters into it.

Senator MALONE. I can understand that the Congress has taken the taxpayers' money and holding a support price, why they might do just what they have done here, but it is an innovation. That is the reason I wanted to understand it myself.

Mr. FROMER. I am sure that even though you may not be a connoisseur of cheese, the most common variety you may be familiar with is Swiss cheese, cheese imported from Switzerland.

Senator MALONE. I even like Limburger.

Mr. FROMER. Well, we don't import any Limburger, I don't think.

Senator MALONE. I eat all kinds of cheese and I just don't understand the difference.

Mr. FROMER. I was just trying to refer to Swiss cheese because many people do feel there is a difference between the two sufficiently to pay twice as much for the imported as for the domestic.

Senator MALONE. Regardless of the price, if it wasn't for the quota, you would have no trouble selling your cheese here at a very greatly increased price, the imported cheese?

Mr. FROMER. I don't like to characterize and put all the cheeses together and use the term "very greatly," because you have a variance as to types and varieties.

Senator MALONE. Regardless of the discrepancy in price, the imported being higher, you have no difficulty disposing of your cheese, except for the quota?

Mr. FROMER. That's right. There is no necessity for underselling domestic cheese.

Senator MALONE. I have used this so many times, that if I liked a certain cloth manufactured in England and it costs another 50 cents a yard, and I wanted it, I would pay the extra 50 cents. The tariff doesn't make any difference, that is to say, it doesn't stop imports.

If there is need for the cloth, it comes in anyway to the extent that you need it, and any special demand, you will pay the additional price, and this goes to prove that you do.

Mr. FROMER. That's right.

Senator MALONE. But this is not a tariff or duty proposition at all. This is a matter of policy, whether or not the Congress or the President ought to fix a quota.

Mr. FROMER. That's right.

Senator MALONE. On a cheese that costs more landed here than the domestic cheese costs, and can be put on the market.

Mr. FROMER. That's right.

Now in spite of the fact that the cheese-importing business is circumscribed by these existing restrictions, the domestic dairy interests have proposed that section 22 of the Agriculture Adjustment Act be amended so that import restrictions continue even after the Department of Agriculture may have disposed of all surpluses on hand and is no longer purchasing dairy products at the support level.

We are of course unalterably opposed to any such legislation which is calculated to promote the selfish interests of a limited group even at the expense of the national welfare.

Senator MALONE. Was that in the act as it passed the House?

Mr. FROMER. No.

Senator MALONE. In the bill?

Mr. FROMER. No. It was not adopted but they proposed a new section 22, and they may have made the same proposal here, and for that reason we have called attention to it.

Senator LONG. Do you have the percentage there? What percentage of cheese is foreign made of the total cheese consumed in this country on a pound basis? Perhaps this chart shows it.

Mr. FROMER. May I direct your attention to chart attached to our statement Ratio of Cheese Imports to Domestic Cheese Production, 1931 it was 12.6 percent and in 1954 it was 3.7 percent.

Now that is all imported cheese. However, not all imported cheeses are restricted at the present time. Of those cheeses, the imports of which are restricted amount to only 1 percent of total production.

Senator LONG. Those whose imports are restricted are only 1 percent of total production?

Mr. FROMER. In the United States.

Senator LONG. Well, how about the others that are imported? Are the others permitted to come in freely?

Mr. FROMER. That's right. They are permitted to come in freely.

Senator LONG. What kind of cheeses are those that are permitted to come in freely?

Mr. FROMER. Now on the list that we have submitted of imports, those that are permitted to come in freely includes Swiss cheese, Pecorino, which is sheep's milk cheese, Roquefort, which is a sheep's milk cheese, and the category "Other cheese." The category "Other cheese" refers to the little speciality cheeses that may enter the country.

Senator LONG. Why do they make a distinction in the case of those cheeses?

Mr. FROMER. In the cases of Pecorino and Romano, both are made out of sheep's milk and they are distinctly different from the cow's-milk cheese, so they have eliminated those.

The category "Other" was simply a catch-all category. It was felt, I believe, it was insignificant, it covered a lot of little specialties, difficult of administration, et cetera, so they just eliminated that.

Swiss cheese, it seems, got some special treatment. I think it was mentioned on the floor of the Senate in considering the extension of one of the earlier acts, I believe it was in 1952 when the import restrictions were extended and the argument was made that it was so

much higher in price than the domestic that it should not be under import control.

Senator LONG. In effect the Senate accepted the argument.

Mr. FROMER. That's right.

Senator LONG. The same argument you are making for certain other cheeses now.

Mr. FROMER. That's right. Well, they accepted to the extent of mentioning it in the report of the committee that considered the bill. It was the Secretary of Agriculture that eventually removed it from import restriction.

It is our contention that cheese imports stimulate American tastes for foreign cheeses and American production of like products.

We urge this committee to approve the bill in the original form in which it was introduced into Congress authorizing the President to enter into international trade agreements for the purpose of expanding foreign markets for the products of the United States and to remove import restrictions which he finds are unduly burdening and restricting foreign trade of the United States. That concludes my statement.

Senator MALONE. Let me, Mr. Chairman, ask one question to clear up the attitude that you take on this bill.

You understand that if we do not approve of this bill, if the extension does not pass Congress, that you go back to the 1930 Tariff Act based on fair and reasonable competition and there is no provision in that act to put a quota on any foreign product that costs more and sells for a greater price in this country. Why wouldn't you be for reverting to the 1930 Tariff Act?

Mr. FROMER. Because, sir, the import restrictions have been adopted under section 22 of the Agriculture Adjustment Act, and if we do not extend this in the manner that we had requested, there would be no power on the part of the President to remove the restriction which he has felt he must impose under section 22 of the Agriculture Adjustment Act.

Senator MALONE. Well, he would not be allowed to put any restrictions on under the 1930 Tariff Act. He could not utilize restrictions.

But of course that is under the Tariff Act, while he can under the 1934 Trade Agreements Act. But the section 22 under which some action is being taken, that can always be changed by the Congress. You know if Congress passes an act it can amend it, and you did outline one certain cheese that has been exempted, didn't you?

Mr. FROMER. Yes; more than one.

Senator MALONE. Well, now they could exempt others if they so desired, but the President couldn't put these restrictions on under the 1930 Tariff Act while he might be able to do it under this 1934 Trade Agreements Act.

So you would only then have to deal with section 22. It simplifies your problem.

Mr. FROMER. I may say this. First of all the exemption of the particular cheese that we were referring to was under a different act and not under section 22 of the Agriculture Adjustment Act.

Senator MALONE. What act was it under?

Mr. FROMER. It was section 104 of the Defense Production Act of 1950.

Senator MALONE. Yes; all of these acts can be amended by Congress, and they are continually looking for some solution to the situation they find themselves in now through their support prices.

What I am trying to find out from you, why wouldn't it simplify your problem if Congress or if the Tariff Commission as an agent of Congress, with a fair and reasonable principle laid down by Congress, fair and reasonable competition, because no one is going to demand a tariff on anything where the landed customs declared cost isn't less than the product in this country that competes with it, or that it competes with.

So this would get you out of one set of woods anyway, and then you would be only fighting a battle where if you showed, as it seems to me you have, certain grounds, and you did show it under another product, that you might escape from this business.

But you are meshed in 3 or 4, and you still say you are for the extension of this act. That is the thing I don't quite understand.

Mr. FROMER. We are for the extension of the act, Senator, because we believe in reciprocal trade agreements as a means for building up our own economic system.

Senator MALONE. Have you ever read the act, the 1934 Trade Agreements Act?

Mr. FROMER. Yes, I believe I have a copy of it right here.

Senator MALONE. You might examine it if you haven't. Did you ever see the words "reciprocal trade" in the title of the act or in the act itself?

Mr. FROMER. I don't recall that we ever used that terminology before recent years.

Senator MALONE. I don't think Congress every used it, but the London bankers did use it, just invented a phrase for us to mouth so that we believe it just like they have now invented "trade, not aid."

You know Mr. Butler, Chancellor of the Exchequer, invented that phrase, and it spread all over the United States, and people that had no knowledge of the thing at all began to mouth this phrase.

I pinned that on him in 1952. I thought it was time they began to get credit for the things they invent for us.

They also invented the "dollar shortage." Now you can have a dollar shortage in one way that applies to individuals and nations both, and that is that if you insist on spending more each year than you earn.

But a nation is one ahead of us. They can have another dollar shortage by fixing the price of their dollars in money above the market price so nobody but Congress will pay it. So we had a dollar shortage, and that was invented in London.

So, for your benefit, and I could go into detail with you, these are one-way streets, these trade agreements that are not really trade agreements. They are agreements to lower tariffs.

An then the country with which the agreement to lower certain tariffs is made immediately defeats that agreement as far as they are concerned by manipulating the price of their money in terms of the dollar, or having a permit necessary for the exchange necessary to buy it, and take it into their country, then having a permit system for imports so that if they don't want it to come in, it just doesn't come

in. And there is no carrying out the spirit of the agreement. Did you know that?

Mr. FROMER. Well, you use a term "one-way street," and I have heard the same term used another way, and you are no doubt familiar with it.

Senator MALONE. Of course.

Mr. FROMER. Trade is not a one-way street.

Senator MALONE. Trade is a one-way street as far as these tariff reductions are concerned.

Mr. FROMER. The purpose of these trade agreements I understand is so that trade is not a one-way street but a matter of exchange, and we have got to be able to sell our products.

Senator MALONE. That's right.

Mr. FROMER. Just as badly as any foreign country.

Senator MALONE. That's right.

Mr. FROMER. And we can't sell it to them unless they can pay for it. I don't know how they can pay for it unless we give them the money or sell them something.

Senator MALONE. That is what we do. We give them the money and then we give them the products that we call national defense, and finally if you subtract those two things from this overgrown trade that you think we have, you are right back to the 4½ or 5½ percent that you had for 40 years, because then you only send something to the other country that you get paid for and they can only send something here that they get paid for, and that is the legitimate trade.

Mr. FROMER. That's right; that is what I would like to see.

Senator MALONE. And that is what we do have. We have all the legitimate trade that we can possibly have. Then we try to force it by giving them money to buy more.

In this country we call it installment buying, but over there we just give them the money to pay for it.

But you do amaze me that you are for giving the person to whom we have allocated this power, this constitutional responsibility of Congress, to prevent your products from coming in.

Mr. FROMER. Well, before the President got that power, there were certain other acts which he says compel him to impose these restrictions. We had a high support program.

Senator MALONE. Not then. We didn't, did we? Wasn't this long after 1934 that we had this high support program?

Mr. FROMER. We had a high support program back from 1933 on, and it actually didn't become effective until the war was well over and we actually weren't able to give away everything.

Senator MALONE. What support program did we have prior to 1934?

Mr. FROMER. I didn't say prior to. From that time on, with the Agricultural Adjustment Act of 1933. I believe this section 22 is a part of that act.

Senator MALONE. But not at that time.

Mr. FROMER. Perhaps not at that time.

Senator MALONE. Section 22 was not in it at all then, was it?

Mr. FROMER. But with the Agricultural Adjustment Act of 1933, the Government started to get into the dairy business.

Senator MALONE. But you didn't have section 22 in it then.

Mr. FROMER. I don't know what the former section 22 was at that time. The point is we had no need for a support program.

No support program would become effective until we started to get such an abundant production as not to know where to get rid of it, whereas during the war and the years succeeding the war, there was always a shortage of these products.

Senator MALONE. Which war are you talking about?

Mr. FROMER. I am talking about World War II, Senator.

Senator MALONE. Well, now, how do we get rid of our agricultural products? Do you have any idea how we do it?

Mr. FROMER. One way to get rid of them, Senator, is to let the law of supply and demand work again.

Senator MALONE. Well, it hasn't worked for a long time. We repealed the law of supply and demand in 1933.

Mr. FROMER. My feeling is that we should repeal some of the impediments to its working.

Senator MALONE. I think you should too, but I would like to bring you up to date, that every bushel of wheat that we sell abroad costs you and your taxpaying associates about 50 or 60 cents, because we pay the difference between the support price and the world price, and then every time we hear of anyone getting sick in Rumania or somewhere else, we send them a few shiploads that they don't pay for at all. We are trying to get rid of it.

Mr. FROMER. Well, there are a couple of things that don't work exactly right, Senator. I don't like the idea of giving money to Italy for nothing if Italy has got cheese that they could ship here that we refuse to take.

Senator MALONE. I just don't like the idea of giving them money at all, unless you buy something and get something for it.

Mr. FROMER. I think that we have got to see to it that the free world is strong economically so that they can be strong physically.

Senator MALONE. How would you do that?

Mr. FROMER. By trying to promote international trade.

Senator MALONE. Well, what you want to do is for them to stay out of your business. If you can do anything in your business that you want to do, then you can trade off the other fellow, and it is all right with you.

Mr. FROMER. No; I think that has been the very narrow attitude taken by a lot of people who have come seeking individual special treatment. "Stay out of our business, but you can import anything else you want."

Senator MALONE. That is the attitude Secretary Dulles takes. He recognizes that competition causes injury, whether it is domestic or foreign. It injures first the weaker and the less economic units in the country.

So what you are for is for the changeover from protection on a basis of the principle of the differential between the cost here and in other countries. That was a 1930 act with only one principle laid down, that of fair and reasonable competition, to bring in products on the basis of your production cost here, which wouldn't interfere with you at all. This was changed to the principle of transferring the constitutional responsibility of Congress to the Executive so he can take in the political factors of Europe or Asia or Africa; he can take in the measuring factors of industry in this country, and by sort of a

nebulous decision, he can just say, "Well, increase the imports in this business, decrease the production in this country," and as a result of that we will increase the exports in another business.

Now, that is what you are for, isn't it? That is what Dulles says it does.

Mr. FROMER. Senator, I think we have gone very far afield.

Senator MALONE. I am trying to find out what you are for.

Mr. FROMER. Of our particular problem?

Senator MALONE. I don't understand it.

Mr. FROMER. You talk about giving the President certain extensive powers.

Senator MALONE. Yes.

Mr. FROMER. Yet the President was given the power under section 22 of the Agricultural Adjustment Act to impose import restrictions.

Senator MALONE. That's correct.

Mr. FROMER. And what we are saying is if you give him the power to impose import restrictions under certain conditions, we say you should also give him the power to remove those restrictions when they burden our international trade.

Now if you are ready to say to me that we will remove the power of the President to impose those restrictions, then I would say we don't need the provision in the Trade Agreements Extension Act that we are advocating.

Senator MALONE. Well, what you do need is to revert to the 1930 Tariff Act that gives the Tariff Commission only the authority to impose a tariff, if you bring in something of the same quality or the same type of product cheaper, and not if it costs more?

Mr. FROMER. Well, as a matter of fact, so far as tariffs are concerned under the Tariff Act of 1930 duties have been imposed on all these varieties of imported cheese, whether they cost more or they cost less.

Senator MALONE. But at the same time the Tariff Commission was given full authority to adjust that downward or upward to meet that differential in cost, and they were given authority to put a duty on anything that cost more landed here than the competitive product cost.

Mr. FROMER. I just want to complete this. The President through various trade agreements has reduced many of the tariffs as far as those cheeses are concerned.

Senator MALONE. Well, you know the Tariff Commission could not possibly impose a tariff higher, a tariff on anything that cost more landed here than the competitive product made here. Don't you know that?

Mr. FROMER. We are not testifying in favor of this act in order to get any reductions in tariff on cheese.

Senator MALONE. What you are trying to do is get a reduction on quotas.

Mr. FROMER. What we are trying to do is get the quotas removed.

Senator MALONE. Or an increased quota.

Mr. FROMER. We are trying to get the President to have the authority to remove the restrictions that he has imposed under another act under which you gave him the power to impose such restrictions.

Senator MALONE. But you are for the extension of this act that has nothing to do with it, is that it?

Mr. FROMER. That is another question.

Senator MALONE. That is what I am trying to find out.

Mr. FROMER. Yes, as far as this act is concerned.

Senator MALONE. I am trying to find out why you are for it.

Mr. FROMER. We are for extension of the act because we think it is a good thing for the country.

Senator MALONE. And you think it is a good thing, that is all I want in the record. I don't want to interfere with your opinion at all. I want to find out what it is.

You want to change that principle of the 1930 Tariff Act based on a principle of fair and reasonable competition—they only have the one criteria to fix the duty—to the 1934 Trade Agreements Act where you can raise or lower the duty on the pretext of political factors in Europe, Asia, or Africa, or the meshing of industry in this country.

That is what you are for, to transfer it to the Executive, the responsibility of the Congress to the Executive to do that, change the principle.

Mr. FROMER. I don't go along with your characterization of the word "pretext."

Senator MALONE. Perhaps that is a badly chosen word. But what I want to center on is the change in the principle. You are for that?

Mr. FROMER. I think that the President is capable of being charged with the responsibility of knowing what is good for American industry and trade, and I think that he is capable and should have the power proposed to be extended to him under this act.

Senator MALONE. In other words then, just to sum it up and not prolong it, you are for the change in the principle of fixing a duty on the basis of fair and reasonable competition by the Tariff Commission, an agent of Congress, and for giving the power to the President to use these other factors, to reduce it beyond that point of fair and reasonable competition if he, in his own judgment, believes it is good for the Nation?

Mr. FROMER. I can't answer that question "Yes" or "No," Senator, because I have to assume that what you say is so, that the principle of the 1930 act was one thing and the principle of this act is another thing.

Senator MALONE. Yes, you can assume that and then your answer would be based on that particular category, and if I am wrong, your answer would be not considered.

Mr. FROMER. Well, I am in favor of the extension of the act in its present form. If that implies the change that you have indicated, then I am in favor of that.

Senator MALONE. All right; that is all I want to know.

Senator LONG. Thank you very much.

(The prepared statement submitted by Mr. Fromer is as follows:)

STATEMENT OF MARTIN A. FROMER, COUNSEL, CHEESE IMPORTERS ASSOCIATION OF AMERICA, INC.

The Cheese Importers Association of America, Inc., is a nationwide organization comprising in its membership importers of a major portion of the cheese imported into the United States. Its offices are located at 51 Chambers Street, New York City.

This association supports the extension of the authority of the President to enter into trade agreements for a period of 3 years from June 12, 1955, until

June 30, 1958, and the terms and provisions of H. R. 1, of said bill as originally drawn and introduced into Congress.

Witnesses representing the domestic dairy industry have appeared before the House committee, and before this committee, proposing and supporting an amendment to section 3 of the bill as originally introduced, on the ground that the language of the said section is broad enough to permit the President, through foreign-trade agreements, to override section 22 of the Agricultural Adjustment Act. Section 22 of the Agricultural Adjustment Act provides for the imposition of import quotas whenever it is determined that imports of the product in question interfere with a support program undertaken by the Department of Agriculture. Prospects of the amendment pointed out to the House committee that the proposed amended section 350 (a) (1) (A) of the Tariff Act of 1930 would authorize the President to enter into foreign-trade agreements with foreign governments or instrumentalities thereof provided however that, except as authorized by subparagraph (B) of the section, "No such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States." The proposed subparagraph (B), however, would authorize the President "to proclaim such modification of existing duties and other import restrictions, * * * as are required or appropriate to carry out any foreign-trade agreement that the President has entered into hereunder." In support of amending the bill by eliminating the aforesaid proviso, the proponents of said amendment contend that section 22 of the Agricultural Adjustment Act would be materially weakened if not, in actual fact, rescinded unless the extension act was amended accordingly. The House has adopted the Trade Agreements Extension Act, amended in such manner as to limit the power of the President to enter into trade agreements. We propose to this committee that the bill be adopted in its original form and that in the interests of the national security and welfare, and cooperative relations with other nations, the original language of the bill be restored.

We wish to point out that the entire power of the President under section 350 (a) (1) of the Act is limited to "the purpose of expanding foreign markets for the products of the United States (as a means of assisting in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production," and that the President may act only when "he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States." We have come a long way along the road of understanding the true implication of expanded foreign trade. We are all well aware that in addition to our armed might, the security of this Nation depends upon our cooperative relations with other countries. We recognize that it is a mistake to assume that our security can be achieved by military treaties alone. Trade is the lifeblood of this Nation, and as President Eisenhower has said, "No single group within America has a greater stake in a healthy and expanding foreign trade than the farmers. One-fourth to one-third of some major crops, such as wheat, cotton, and tobacco, must find markets abroad in order to maintain farm income at high levels." We are not giving charity to European countries by permitting their products to be imported into the United States, especially when the product in question is not duplicated here or sells at a higher price than the domestic product. This is largely true of foreign types of cheese, imports of which are presently restricted under the narrow terms and provisions of section 22 of the Agricultural Adjustment Act.

H. R. 1, in its original form, did not rescind section 22 of the Agricultural Adjustment Act, but merely gave the President the power, in addition to his power under the said section 22, to make trade agreements for the purpose, and upon the state of facts, set forth in section 350 in the Tariff Act of 1930.

The Secretary of Agriculture has testified that if we did not have a price-support program, there would be no particular need for section 22 of the Agricultural Adjustment Act. The import restrictions imposed under the provisions of the said act have generally been based on the argument that without such restrictions we would be placed in the position of supporting world price of all products which are under a price-support program. In connection with dairy products, the classic example has been the difference between the support price of butter of 58½ cents per pound at New York and the estimated world price of about 41 cents per pound. Nowhere is there ever any mention made of the fact that under the terms and provisions of section 22 imports are restricted of

various foreign types of cheese, selling at prices substantially higher than the support price, and the price of comparable domestic cheese. For example, importations of Italian types of cheese, such as Provolone, Reggiano, and Parmesan cheese are seriously restricted although the price of this type of cheese imported from Italy is greater than similar domestic cheese. For example, the factory delivered price to New York of Provolone cheese is about 42 to 43 cents per pound, while the landed cost of imported Provolone cheese is from 65 to 75 cents per pound. Similarly, Edam and Gouda cheese from Holland, and blue cheese from Denmark, are substantially higher in price than domestic cheese. Here then is a situation where imports cannot be said to be seeking this market because of a price-support program. Furthermore, these cheeses are distinctive in quality and characteristics and an opportunity is presented of trading with countries who use the proceeds for buying our goods without threatening the price level of American goods.

The difficulty we are in with regard to our dairy surpluses is certainly not due to imports but to tremendous and ever-increasing production as compared with decreasing consumption. This conclusion is amply supported by the tables submitted with this statement. Milk production for 1954 was at an alltime high of almost 124 billion pounds. Per capita consumption, however, of fluid milk and cream was down from a high of 399 pounds in 1945 to 352 pounds in 1954. Butter consumption is down from an average in 1935-39 of 16.8 pounds per capita to 8.6 pounds per capita in 1953. Last year there was an increase indicated to 9 pounds per capita due, no doubt, at least in part, to a reduction of the support price. Thus, we have a picture of high supports stimulating high production and discouraging consumption because of the fixed high price, and the natural result is the surpluses with which we are burdened. It may be well to note that cheese consumption for 1954 is estimated at about 7.7 pounds per capita, or as high as it has ever been.

Cheese production in the United States has more than doubled in the last 20 years and almost tripled in the last 25 years. Production in 1954 amounted to about 1,350 million pounds compared to imports of about 50 million pounds, or only about 3.7 percent of the total domestic production. The complete removal of import restrictions on foreign types of cheese raises no threat to our domestic industry. Restrictions have been removed from some types, such as sheep's milk cheese, Swiss and Gruyere cheese and Roquefort cheese, without substantially affecting the volume of importation. In fact, imports of sheep's milk cheese and of Roquefort cheese were less in 1953, after removal of control, than during 1952 when their import was restricted. Imports of Swiss and Gruyere cheese were less in 1954 than in 1953 although not under import restriction.

Import restrictions and the administration of such restrictions has had a disastrous effect upon the industry and has dislocated the regular channels of commerce with regard to the importation of cheese. An example of this is the situation at present with regard to imports of Italian types of cheese. Imports of cheese are restricted not only as to variety and amount but as to country of origin. Import authorizations are based upon the history of imports during the years 1948-50. Historically, Italy was the original and principal source of Italian types of imported cheese. This, of course, was changed by the war, when similar types of cheese were imported from Argentina. With the cessation of hostilities, imports were again resumed from Italy, however, the normal level of imports of Italian type cheese from wartorn and disabled Italy had not been reached in 1948, 1949, or 1950. The result of the application of the method of allocating licenses is that authorized imports for the license year from Argentina of Italian type cheese are about 5,100,000 pounds, while authorizations of imports from Italy are about 4,040,000 pounds. A limited transfer of license has been allowed by the Department of Agriculture "to reflect current trends in the trade of Italian type cheese." However, the fact remains that whereas the President has authorized the importation of 9,200,000 pounds of Italian-type cheese during a quota year, this level has not been reached because the Secretary of Agriculture has refused to permit the utilization of unused Argentine authorizations by importations of the same cheese from Italy. In 1954 the total of imports of Italian-type cheese under import restriction amounted to less than 7,200,000 pounds or over 2 million pounds less than the amount the President has fixed as the annual quota which may be imported without interfering with the domestic industry. This is so although the industry needs and can use substantial amounts of Italian Provolone cheese at prices more than 50 percent higher than the domestic product. This shocking situation is a result of the manner in which the Department of Agriculture is administering the prescribed quotas.

During the past several months, importers have been unable to secure or purchase Argentine cheese in sufficient quantity to utilize their import authorizations, and this association has under these circumstances requested the Department of Agriculture to permit the interchangeable use of these authorizations so that they may be utilized for the same types of cheese from either Italy or Argentina. This request has been denied, and instead the Secretary has granted only a partial transfer of license, limited only to specific Italian types, although the Presidential proclamation makes no such distinction. The Secretary of Agriculture has refused, for example, to permit the utilization of unused import authorizations from Argentina of Italian-type cheese for the importation of Provolone cheese from Italy, although, due to a lack of supply in Argentina, such licenses will not be utilized. Imports of Italian Provolone cheese amounted to 8,500,000 pounds in 1931 and only 3,600,000 pounds, or less than half, in 1954, although there has been a tremendous growth in population between these dates.

In spite of the fact that the cheese-importing business has been so circumscribed, the domestic dairy interests have proposed that section 22 of the Agricultural Adjustment Act be amended so that import restrictions continue even after the Department of Agriculture may have disposed of surpluses on hand and is no longer purchasing dairy products at the support level. We are, of course, unalterably opposed to any such legislation which is calculated only to promote the selfish interests of a limited group even at the expense of the national welfare.

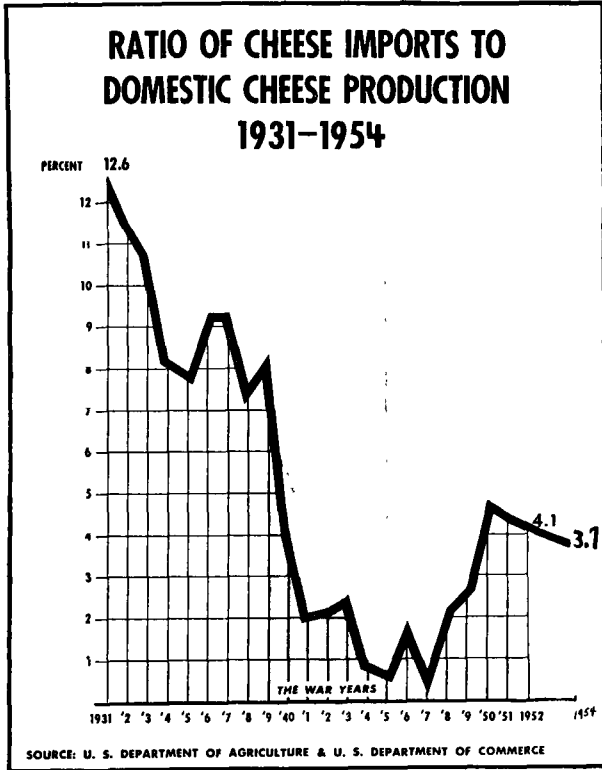
In support of maintaining restrictions on imports of foreign types of cheese, the advocates of such restrictions contend that regardless of price a pound of cheese imported displaces a pound produced in the United States. One might similarly state that a foreign automobile or a foreign typewriter or any other foreign product imported into the United States displaces a similar product domestically produced. Yet no similar protection is granted to other industries, and experience has proven that such imports stimulate industrial growth rather than stifle it. This has certainly been the case with foreign types of cheese which were never produced here until introduced from abroad.

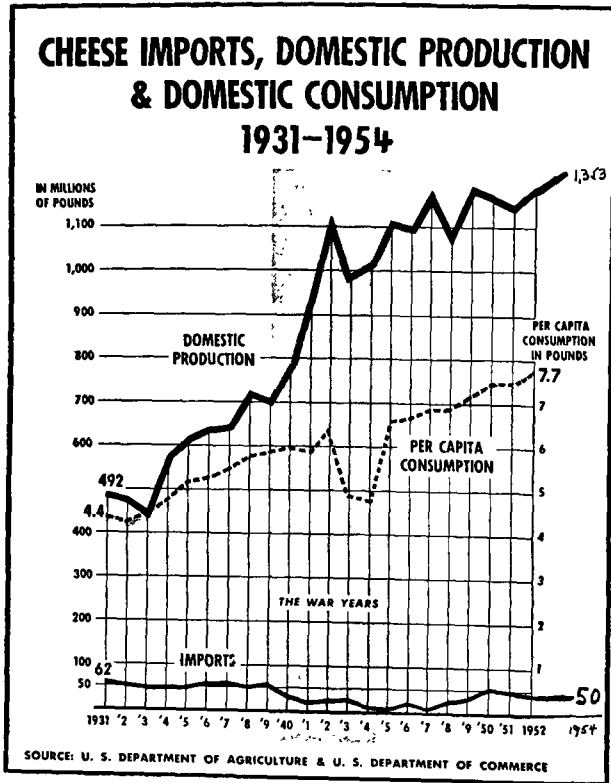
It has been pointed out in the course of this hearing that the more a country restricts its imports the more it stifles its own industrial growth. The level of our total imports determines the level of exports for which we can be paid. Foreign types of cheese should be freed of import control. It may be, without conceding it to be a fact, that under the terms and provisions of section 22 of the Agricultural Adjustment Act the President, in order to accomplish the objectives of that act of protecting supported commodities, is compelled to maintain import restrictions on foreign types of cheese, although such restrictions are unduly burdening and restricting the foreign trade of the United States and although their removal might tend to expand foreign markets for the products of the United States. In such event, under the terms and provisions of H. R. 1, as originally introduced, the President would be empowered to make trade agreements covering individual and specific types and varieties of cheese imports which would meet the criteria set forth in the act.

The business of cheese importers is being destroyed by existing import restrictions and arbitrary and unreasonable administration of these restrictions. In these hearings a keynote is the protection of domestic industry. The import-export business is as much a part of American industry as any other branch. The business of cheese importers is being slowly, surely, and unnecessarily destroyed by restrictions.

Cheese imports stimulate American tastes for foreign cheese and American production of like products. As testified by the Secretary of State before the House committee: "Our Nation has found that the constant stimulation and renewal of its economic life is of tremendous value. That is why the United States today produces nearly half of all that is produced throughout the entire world. Other nations which might have created comparable opportunities for themselves have dropped behind us as they clung to small protected domestic markets and to cartel policies designed to perpetuate the status quo."

We urge this committee to approve this bill in the original form in which it was introduced into Congress, authorizing the President to enter into international trade agreements for the purpose of expanding foreign markets for the products of the United States and remove import restrictions which he finds are unduly burdening and restricting the foreign trade of the United States.





CHEESE

Quantities manufactured in the United States, 1931 to 1953

[Quantities in million pounds]

Year	American		Swiss	Brick and Muenster	Lim-burger	Cream	Blue Mold	All Italian	All other	Total
	Whole milk	Part skim								
1931	374.6	3.1	28.2	35.5	8.5	33.6		3.5	4.9	492.0
1932	370.7	3.3	25.5	37.0	7.9	31.6		3.8	4.0	483.9
1933	408.6	6.3	40.3	36.1	9.5	33.4		4.8	4.1	543.1
1934	435.5	5.6	39.4	38.4	9.4	40.5		5.5	4.7	579.0
1935	469.0	6.6	42.6	37.5	9.5	39.0		10.6	5.9	620.7
1936	487.6	4.8	40.1	38.1	12.0	40.4		11.4	7.2	641.6
1937	492.0	4.8	41.5	35.6	8.2	44.0		13.5	9.2	648.5
1938	560.5	5.8	43.1	35.0	9.3	44.1		16.5	11.1	725.3
1939	537.3	4.2	42.6	35.0	9.0	48.0		20.5	11.9	708.5
1940	602.8	3.9	48.7	34.3	8.2	51.2		25.0	11.4	785.5
1941	753.1	4.1	56.0	32.1	8.1	50.0		31.4	18.4	956.2
1942	916.8	3.8	52.6	28.8	8.4	47.6		34.0	19.4	1,112.3
1943	765.1	4.7	45.6	28.0	6.7	170.5	28.0	43.0	21.8	993.3
1944	804.8	2.2	45.6	27.4	7.5	60.4	6.8	41.7	20.7	1,017.2
1945	875.0	1.1	50.1	14.8	8.8	66.9	9.8	64.6	25.6	1,116.8
1946	801.3	2.7	55.7	17.7	9.5	78.8	12.5	75.4	52.8	1,106.3
1947	932.7	4.9	71.6	26.5	7.8	66.5	10.6	38.1	24.2	1,182.9
1948	854.4	4.0	70.7	26.5	7.4	56.8	9.3	43.6	25.7	1,098.4
1949	935.2	8	81.0	30.4	7.2	58.5	8.1	54.9	23.4	1,199.4
1950	892.7	2.3	99.5	30.1	6.0	68.8	7.7	61.7	22.7	1,191.5
1951	873.1	9	92.0	31.9	6.5	73.6	5.5	57.2	20.3	1,160.9
1952	849.8	1.3	108.0	33.8	6.1	77.1	10.9	60.9	22.4	1,170.4
1953	1,021.5	1.4	103.8	36.7	5.8	78.3	9.6	68.4	19.4	1,344.8
1954	1,022.5	(9)	111.7	41.4	5.9	76.7	10.0	66.7	18.7	1,353.5

¹ Neufchatel cheese included for 1943 and following years.² Prior to 1943 included in "All other" varieties.³ Included in "All other."

Source: 1931-53 compiled from reports of the U. S. Department of Agriculture; 1954 from 1954 Preliminary Report Dairy Products, Jan. 26, 1955.

United States imports for consumption, by variety, 1931 to date

[1,000 pounds]

Calendar year	Swiss (Emmenthaler and Gruyere)	Blue Mold ¹	Cheddar ²	Edam and Gouda ¹	Goya ³	Provolone	Provollette	Reggiano
1931	15,675					4,850.8	(5)	6,270.8
1932	11,707					4,650.7	(5)	6,218.4
1933	10,728					4,646.5	(5)	6,161.6
1934	6,819					4,695.2	(5)	6,216.7
1935	6,259					4,631.9	(5)	6,267.9
1936	8,029	1,818	10,846	1,168		4,517.5	(5)	6,386.6
1937	13,147	3,660	4,726	5,483		4,557.5	(5)	6,173.2
1938	13,317	3,377	1,818	4,162		4,511.0	(5)	6,156.7
1939	14,141	3,265	6,352	2,815		4,329.2	(5)	6,243.6
1940	5,794	1,650	635	1,118		4,131.0	(5)	6,171.6
1941	1,105	1,695	332	713	33	4,109	(5)	6,867
1942	223	291	6,832	561	107	153		724
1943	1,033	618	66	2,155	31	1,776		787
1944	1,047	290	60	1,154	(10)	1,703		171
1945	62	17	343	1,864	0	1,062	2	1,709
1946	539	1	20	927	0	245		2,403
1947	766	1	21	441	0	21		626
1948	3,218	977	11	833	8	566	(5)	926
1949	7,111	1,301	3,136	906	(10)	936	38	1,369
1950	8,396	3,492	13,293	3,755	0	1,207	53	1,882
1951	9,466	5,049	12,072	4,333	0	2,505	61	864
1952	10,378	3,022	6,525	3,585	0	4,026	73	955
1953	11,871	3,331	7,810	4,560	0	3,735	46	2,056
1954	11,507	3,304	2,814	4,732	0	3,605	31	1,611

See footnotes at end of table.

Calendar year	Parmesan	Romano	Pecorino	Roquefort	Sbrinz ³	Other cheese	Total, all varieties
1911	(?)	\$ 16, 570	(?)	3, 145		14, 203	60, 800
1932	(?)	\$ 16, 705	(?)	3, 203		13, 332	53, 636
1933	(?)	\$ 13, 414	(?)	2, 298		14, 976	49, 497
1934	(?)	\$ 14, 426	(?)	2, 578		14, 591	47, 533
1935	(?)	\$ 15, 817	(?)	1, 999		15, 860	48, 933
1936	(?)	\$ 15, 437	(?)	2, 147		9, 843	59, 840
1937	(?)	\$ 15, 395	(?)	2, 401		8, 531	60, 630
1938	(?)	\$ 15, 517	(?)	2, 394		7, 170	54, 482
1939	(?)	\$ 16, 056	(?)	2, 974		7, 740	59, 071
1940	(?)	\$ 11, 708	(?)	1, 584		7, 108	34, 626
1941	(?)	\$ 6, 876	(?)	0	669	7, 614	23, 013
1942	30	5, 994	44	0	6, 564	2, 696	24, 218
1943	34	8, 143	292	0	8, 939	1, 460	25, 334
1944		2, 106	3	0	1, 289	1, 222	9, 045
1945	52	461	50	(10)	384	2, 235	8, 300
1946	(10)	13, 029	627	297	1, 617	1, 084	27, 820
1947	(10)	3, 468	1, 378	408	812	727	8, 671
1948	21	8, 496	4, 459	852	915	2, 269	23, 557
1949	13	7, 982	3, 336	1, 394	1, 375	3, 117	32, 015
1950	79	5, 369	11, 948	1, 611	1, 518	3, 939	56, 172
1951	76	2, 342	9, 525	1, 688	769	3, 580	52, 330
1952	120	1, 401	12, 715	1, 815	385	4, 298	49, 228
1953	297	2, 226	12, 313	1, 806	273	5, 891	56, 215
1954	250	1, 542	13, 317	1, 879	82	5, 282	49, 959

¹ Prior to June 15, 1936, included in "Other cheese."

² Prior to 1936 included in "Other cheese."

³ Prior to Nov 15, 1911, included in "Other cheese."

⁴ Includes Provolette

⁵ Included in Provolone.

⁶ Includes Parmesan.

⁷ Included in Rocciano.

⁸ Includes Pecorino

⁹ Included in Romano

¹⁰ Less than 500 pounds.

Source 1931-49, Program and Analysis Division, USDA, 1950-53, Foreign Agriculture Circular, FAS, USDA, May 28, 1954.

Senator LONG. Mr. Norman Zukowsky, general secretary of the International Handbag, Luggage, Belt and Novelty Workers Union, in behalf of Ossip Walinsky, International President.

STATEMENT OF NORMAN ZUKOWSKY, GENERAL SECRETARY, INTERNATIONAL HANDBAG, LUGGAGE, BELT, AND NOVELTY WORKERS' UNION, IN BEHALF OF OSSIP WALINSKY, INTERNATIONAL PRESIDENT

Mr. ZUKOWSKY. My name is Norman Zukowsky, and I live in New York. I am general secretary-treasurer of the International Handbag, Luggage, Belt and Novelty Workers' Union, AFL.

I am appearing for Mr. Ossip Walinsky, international president, who found it impossible to personally appear here, and asked me to express his regret and make apology for him, as well as present the statement in his behalf for our union.

I take this opportunity to thank you for all courtesies extended to us to appear before you to state the case of the plight of the handbag and personal leathergoods trades, and of all those persons directly and indirectly dependent upon it for a livelihood.

We have submitted a brief which we captioned H. R. 1 Means Less Trade and More Aid for Our People at Home." This is, of course, stating the truth and paraphrasing the phony and catchy slogan, "More Trade and Less Aid Abroad."

(The brief above referred to is as follows:)

STATEMENT OF INTERNATIONAL HANDBAG, LUGGAGE, BELT AND NOVELTY WORKERS' UNION, AFL—MEMORANDUM RE FURTHER REVISIONS OF TARIFF RATES ON HANDBAG, PERSONAL LEATHER GOODS AND LEATHER GOODS NOVELTIES

1. The International Handbag, Luggage, Belt and Novelty Workers' Union is greatly disturbed by the pending bill, H. R. 1, to extend the President's authority to reduce tariff on incoming foreign handbags of all kinds and on personal leather goods.

2. One provision of the bill would permit the President to cut present tariffs on major imports 5 percent in each of the next 3 years.

3. Another provision would allow him to reduce tariffs 50 percent on imports that arrive in small amounts.

4. Another provision would permit reductions in tariffs as much as 50 percent below the 1945 levels.

5. The Honorable Secretary of State, John Foster Dulles, told the House Ways and Means Committee that the bill would strengthen free world unity and help American producers to find markets overseas. And what is even more important, he contended that a further reduction in the tariffs would "promote the security and welfare of the United States" by providing a firm economic basis for the mutual defense treaties that bind this country and about 40 allies. He emphasized further that a further reduction in tariffs would quiet fears in other nations that the United States might shift to a policy of raising tariffs instead of lowering them.

6. Many witnesses who appeared before the House Ways and Means Committee to plead for rejection of further tampering with the tariff rates stressed, in the strongest language possible, the most impressive argument of all—namely, more trade and less aid.

7. We categorically deny that further reductions in tariffs are in our national interest. We contend that more trade and less aid to foreign countries is nothing but a catchy phrase which is most misleading because neither the Cabinet members nor the lobbyists for the import-export interests will admit that in the case of further reductions of tariffs it would mean more trade for foreign countries at the expense of domestic labor and the small businessman—in other words, less aid abroad and more aid and relief at home for the jobless, the underemployed and the needy Americans. And yet, they dare tell us that further reductions in tariffs are in the national interest of our country.

Besides, have we really made more friends abroad or have we cemented greater friendships among the 40 allies about whom Honorable Secretary Dulles speaks since we reduced tariffs? Furthermore, if our 40 allies wished to be allied in their fears that we are not going to raise any tariffs, are we to reduce tariffs in order to give them such assurance? Yes; what is it all about?

8. Past experience and past performances have convinced us that we cannot take for granted the assurances of the administration that no industry would be hurt at home by the passage of H. R. 1. We have been hurt before—we are being hurt more now—and we shall certainly be hurt still more tomorrow.

Besides, the President of the United States is so busy with a million things that he can have no time himself to determine either the extent of the hurt or the extreme hardships of the victims of foreign dumping; and so, the pocket-book and personal leather goods trades will remain, together with the hundreds of other trades, the forgotten men. Our hope now is the Senate of the United States.

9. The Women's Wear Daily, authoritative publication for our industry, in its issue of February 25, 1955, featured the following cables from Paris and Tokyo on page 18:

"SEE EXPORT PRICES UP ON FRENCH LEATHERS

"Paris Bureau

"PARIS, February 24.—Export prices of French leather handbags are expected to rise between 10 and 12 percent following the removal of this merchandise from the official list of goods receiving export aid.

"An official protest has been prepared by the Handbag Manufacturers Association, but they cannot present it until France has a new government."

We have contended all along that the French Government is subsidizing French handbag exports, thus facilitating cutthroat competition. All importers of French handbags have denied this charge of ours—but now, at last, the secret

is out. Other countries like Italy, Germany, Spain, and Japan are likewise subsidizing handbag imports in one form or another—including manipulations of exchange, concessions on shipping, etc.

“UNITED STATES IMPORTS FROM JAPAN SET DECEMBER RECORD

“Tokyo, February 24.—Exports of handbags to the United States jumped sharply in December to a record-high level, bringing the year's total to 1,486,000, according to compilation by Fairchild News Service of Finance Ministry figures. This compares with 1,409,000 pieces in 1953, and is somewhat better than the preliminary estimate made in these columns early in January, based on preliminary data then available.

“The business in toilet cases, which looked promising in 1951, has dwindled year by year, and almost disappeared in 1954, with fewer than 200 exported.

“Exports of wallets and similar small wares to the United States totaled 100,000 pieces in 1954, compared with 111,000 in 1953.”

When one takes into consideration that Japan is a late-comer in the dumping of handbags on the American market and that for the year of 1954 it dumped 1,486,000 handbags, one realizes the present danger to our domestic trade and domestic employment.

10. The following is a briefly sketched picture of the handbag and pocketbook trade:

(1) The ladies' handbag trade is a model American private enterprise trade of approximately 650 employers at the present time, the largest number of employers in its history.

(2) We are told that General Motors Corp. and Ford Motor Co. did 94 percent of the automobile business in 1954; Chrysler Corp., 4 percent; and all other companies, 2 percent. But, this is our picture: In the city of New York, which occupies a most prominent place in the handbag industry of our country and which for more than 50 years has been a most important center in the manufacture of handbags, the following picture of the makeup of the shops is most enlightening:

(a) The Pocketbook Workers' Union, New York, an affiliate of our international union, is in contractual relations with a vast majority of the handbag manufacturers of the city—340 in number. Of this number, 138 employers employ only from 1 to 10 workers; 96 employers employ from 11 to 20 workers; 41 employers employ from 21 to 40 workers; 13 employers employ from 41 to 50 workers; 30 employers employ from 51 to 75 workers; 10 employers employ from 76 to 100 workers; and only 12 employers employ 100 or more workers.

To be more plain and specific, we are dealing with a large number of employers who employ a limited number of workers. The employers operate on a most modest capital; their credit with banks and suppliers is most limited; and, one bad season causes many a mortality among employers whose shop closings put workers out of jobs and on the unemployment and relief rolls of country and city. While the handbag manufacturers of other cities are, in some instances, larger in size and run more substantial operating units, they are, in the main, in the same class and category.

(3) When one takes into consideration that the estimated volume of business at wholesale in 1953 was only \$135 million, and in 1954 the volume is estimated not to exceed that amount, one will appreciate the problem of foreign competition hitting the American handbag market from a large number of foreign countries. Yes, \$135 million worth of business at wholesale must be divided among a minimum of 650 employers which makes for an average of slightly over \$200,000 each. The handbag manufacturers, therefore, are not, in the main, in a position to promote their product or even spend money on advertising, of whatever medium.

Such a thing as the spending of a million dollars on a Motorama Show by General Motors, which was headed by world-renowned talents, is most fantastic to the employers of our trade. Hence, what is good for General Motors, the Ford Motor Co., the oil and rubber industries and other mass production industries is certainly not necessarily good for the handbag manufacturers or the workers in their employ.

(4) Yet, we cannot emphasize too strongly that our trade is an essential trade and the products of our manufacture are necessities, not luxuries. The Armed Forces of the United States, during the last two recent wars, equipped the women's auxiliary branches of our military establishments with handbags as

part and parcel of their standard garb and standard equipment, having found said containers indispensable. Hence, all talk about the handbag trade being a luxury trade is nothing but loose language, and to expose the handbag trade to the dangers of unfair and cutthroat competition must be considered un-American and detrimental to the national interest of our country.

(5) The spokesmen for H. R. 1 have already shown their colors and their complete disregard for the vital interests of American victims of unfair foreign dumping and unfair labor competition. They are on record as follows:

(a) They demand a longer period of extension than 3 years of the proposed period of time covering further reductions in our tariffs.

(b) They demand elimination of any escape-clause provision which, at least in principle, allows that tariff concessions could be canceled or modified if they resulted in increased imports causing serious injury to the domestic economy.

(c) They demand elimination of the peril-point provision in the Reciprocal Trade Agreements Act, preferring destruction of a domestic trade to foreign factors which make for such destruction.

(d) The spokesmen for some agricultural interests have endorsed the H. R. 1 bill with the specific understanding that Congress would make relatively certain that it did not endanger the purposes of section 22 of the Agricultural Adjustment Act of 1936. This act provides that foreign agricultural imports shall not interfere with domestic price-support programs.

No small wonder that the agricultural interests have endorsed the H. R. 1 bill. Besides, we have already read cables from Geneva that state that foreign countries will be satisfied to have the United States exclude agriculture and to make sure that foreign competition will not endanger agricultural domestic price-support program.

Unfortunately, we are in the handbag and personal leather-goods business and not in agriculture. If we were treated on an equal par with agriculture, we would not be here to appeal to you against further reductions in our tariffs.

To be sure, we have no more price supports nor a price-support program in the handbag trade than in all other trades. A price-support program in the handbag trade would be considered a violation of the Antitrust Act. The only price supports in our trade worth a pinch of snuff are the following:

1. Union standards and conditions in the trade made applicable to as many manufacturing units as our union is able to reach.

2. Uniform standards and conditions for an industry eliminates cutthroat competition and substandard working standards and conditions.

3. The many violations of the wage and hour law notwithstanding, the ceiling on hours and the floor on wages provided by the wage and hour law provide a measure of protection to labor and industry.

4. It is generally conceded and considered that the present wage and hour law is antiquated and much behind the times. Labor is demanding a minimum wage of \$1.25 per hour. The President of the United States sent a message to Congress asking for a 90 cents hourly minimum wage. We are greatly dissatisfied with the President's recommendation, but it is plain to see that a higher minimum wage will give foreign competitors, even under the present tariffs prevailing in the handbag industry, still greater advantages over our domestic producers.

(6) Speaking of foreign competition, which in most cases is actually dumping, we quote two typical advertisements which were timed with the opening of the spring season in our industry and the showing of our new line of goods. These typical ads were in the New York Times of January 16, 1955. One was featured by the fine department store of Oppenheim Collins of New York and Brooklyn. The ad featured pictures of four handbags and read as follows:

Extra special sale—Expensively mounted! Leather-lined! French calf handbags, yesterday they sold from \$12.50 to \$25—now \$8.90. Imported French calfskins, hand-picked originally for suppleness, smoothness, luster—top quality! All in roomy, distinctively French styles made with unique French skill, attention to the smallest details: note zipper inside pockets! Choose versatile, fashion-important colors: Black, navy, brown, red, tan. Shown—only four from our superb group.

The other ad was featured by Tailored Woman, Fifth Avenue, New York City, and read as follows:

An important import scoop! Hand-crafted antelope-suede handbags, regularly \$29.95 to \$55.00—\$22. Fortunately for you—unfortunately for the importer—these designer treasures, hand-crafted by a Toledo artisan “missed

the boat" * * * arrived too late for holiday selling, and Tailored Woman snapped them up to bring you second-to-none values.

Such typical ads are usually followed by what the trade calls trade and moral busters which leave American producers of handbags bewildered and amazed and which work most demoralizingly on retailers. The following ad, which appeared in the New York Post of March 2, 1955, was featured by Alexander's of the Bronx and is a good example of this type of trade and moral busters—

Marvelous spring buy! 400 famous-make exquisite imported calf bags.—Made to sell for \$15 to \$17.95. Famous label in every one of these leather-lined French handbags! Rich, gleaming, polished calfskins, with distinctive detailing and styling * * * all the features that have made French handbags so prized! Vanities, vagabonds, pouches * * * Tailored or dressy styles, with interior zippers and leather change purses. Black, navy, red, tan, brown, \$7.99. (Also at White Plains.)

As you will note, the ad features—

- (a) The famous French label (yes, if a handbag is made in France it is genuinely fashioned).
- (b) The rich-gleaming polished calfskins.
- (c) The distinctive styling.
- (d) Leather-lined with interior zippers and leather change purses.

Another unusual ad was featured by Gimbels in the New York Times of March 6, 1955, and read as follows:

Nobody but nobody but Gimbels has these imported Italian cowhide handbags at these never-lower prices—\$3.99 and \$5.99. It didn't happen overnight. Months and months of painstaking preparation plus Gimbels tremendous buying power made it possible to bring you the very finest Italian cowhides * * * the most exemplary Italian craftsmanship at these astounding prices. Every sleek polished handbag you'll see was made under the careful supervision of Gimbels own representative in Italy. This is truly a sensational opportunity. * * * Gimbels Italian imports are made of heavy top-grain cowhide leather. Gimbels Italian imports are stitched finely, closely for long wear. Gimbels Italian imports are camel color, polished to perfection. Gim'els Italian imports are reinforced at points of pressure. Gim'bels Italian imports have sturdy, gleaming brass locks. Gim'bels Italian imports are fitted with purse and mirror.

Besides all the attributes ascribed to said Italian handbags, the following unusual features must be pointed out:

(a) The Gimbels chain of department stores let it be known that this event did not happen overnight and that months of painstaking preparation went into making the event possible. (Department stores never take any pains to work with domestic manufacturers.)

(b) The Gimbels chain of department stores points out that this event was made possible by the tremendous buying power of its organization.

(c) The Gimbels chain of department stores makes the interesting and unusual statement that "Every sleek polished handbag you'll see was made under the careful supervision of Gimbels own representative in Italy."

Such typical ads are a daily occurrence and a daily feature in our newspapers all over the country. Whether the handbags come from France, Spain, Italy, Germany, Czechoslovakia, Cuba, Argentina, the Bahamas, or Japan—a latecomer into our field and one of our dangerous competitors—the foreign imports have a terrifying effect on our trade, as follows—

(a) They demoralize consumers.

(b) They confuse, bewilder, and "knock the wind out" of manufacturers.

(c) They depress workers.

(d) They cause the increase of importers. Manufacturers of handbags have already given up business at home and have become importers from abroad, etc.

(7) It is said, among many other things, that further reductions in our tariffs, even at the expense of our domestic manufacturers and workers who may suffer underemployment or total loss of jobs, should be promoted in the interest of greater goodwill among nations and to combat communism. Is it not time for us to ask ourselves if with all of the billions of dollars extended to some 40 countries we have really made greater friends of the people of said countries and gained greater goodwill? The H. R. 1 bill, if finally approved by Congress and put into force and effect, will mean more trade for foreign competitors—more dumping of

handbags, personal leather goods, and leather goods novelties on the American market—and maybe less aid to foreign countries—but definitely more unemployment, more underemployment, and more aid and relief for the jobless at home. To be more plain and specific, more trade for foreign manufacturers and more aid for the victims of unemployment and joblessness at home.

Strange as it may sound, the handbag and personal leather goods workers of many countries, including France and Italy, are members of unions which are dominated by the Communist Party and like all satellite countries those unions are nothing but satellites of the Soviet Union party line. Are our workers at home to sacrifice their jobs and livelihoods in order to afford more trade for handbag manufacturers of foreign countries and for more Communists abroad?

To be more plain and specific, we are for more trade abroad and more aid for foreign countries in need of our help and appreciative of our help, but we are unalterably opposed to H. R. 1, mainly and principally because the handbag and personal leather goods workers wish to be in a position to help others abroad. They can only do that if they are fully employed at home and not jobless and on relief rolls. Furthermore, we want to compete on a fair and equitable basis maintaining our union standards and conditions and our American way of life. We cannot compete against cutthroat competition and cannot stand further reductions in the tariffs to facilitate further dumping of handbags and personal leather goods and leather goods novelties on the home market.

(8) The Women's Wear Daily of October 5, 1951, featured a photograph of Vincent Auriol, President of France, congratulating the French manufacturers of the Dofan Co.—handbags for export to the United States—which was accompanied by a statement of the president of said company who conceded, among other things, that—

(a) The basic salary of the French worker in the handbag industry is only about \$100 per month as compared with the American average of approximately \$220 per month.

(b) Only about 4 percent of the French worker's salary is expended for rental purposes as compared with about 20 to 25 percent expended by the American worker.

(c) Importers of French handbags point out that although it is acknowledged that French workers in the handbag trade earn far less than their counterparts in this country, it is also indicated that any comparisons on the basis of dollar-for-dollar earnings alone would be both inaccurate and unfair because they would fail to take into account certain other pertinent economic considerations. Among these considerations the basic one is simply that the overall standard of living in France is lower than that which exists in this country.

(d) Factories at which the French worker is employed make available to him clothing and food commodities at drastically reduced prices through a cooperative buying system.

(9) The information available to us regarding the wages of foreign handbag workers is as follows: In England the average wage is \$25; in France, \$20; in Germany, \$21; in Italy, \$35; and in Cuba, \$15—for a workweek of 48 hours.

The New York State Department of Labor Market Review for October 1954 shows that the average weekly earnings of production workers in the handbag industry in New York City for August 1954 was \$51.11 for an average week of 36 hours. It should be noted that the regular hours of work provided for in the contract between the Manufacturers' Association and the Pocketbook Workers' Union are 37½ per week.

To the best of our knowledge, the regular working hours in Japan are 54 hours per week. We are reliably informed that the wage rates range from 9 to 19 cents per hour. No small wonder that Japan has dumped 44,552,000 units on the American market during the past 5 years.

(10) Another item of news which appeared in the Women's Wear Daily, under dateline of Frankfurt, January 1, headlines the story—German leather goods fair in Offenbach, February 21–26—West German leather goods industry sent over \$1 million worth to United States in 1952—Seen leading all Europe in production in 1953. The statements of the news item are very factual—hence, the present dangers are very clear. Among other things, it states that

(a) The West German leather goods industry numbers 18,000 workers in the Offenbach region and 10,000 workers in the Nuremberg and Kuppenheim producing centers, together with some smaller places.

(b) West Germany sold \$1,300,000 worth of its products to the United States during 1952.

(c) The West German leather goods manufacturers may lead Europe in 1953 in the production of high-grade handbags and leather novelties.

(d) More than 2,000 manufacturers of handbags and small leather-goods items, such as briefcases, note cases, cigarette cases, suitcases, manicure and overnight cases, belts, etc.—are geared for greater export business.

(e) The proportion of goods exported continued to rise rapidly during 1952, and the total of West German leather goods sold for dollars during 1952 will be more than double the total for 1951 when all figures are in. The 1951 figures, again, had doubled those of 1950, when total exports for dollars were only \$300,000. The 1951 figure was \$600,000; and in 1952 the million dollar mark had been exceeded by the end of October.

(f) The president of the West German Leather Goods Union stated that credit for that phenomenal rise in dollar exports must go to the American occupation. Some hundreds of thousands of Americans became aware for the first time of the high quality and the designs of West German small-leather goods. Many took items home with them and encouraged local stores in this country to order more.

(11) But what about labor standards and conditions in shops of foreign competitors? Yes, what about them? In summation, this is the true picture—

(a) Handbags, imported into the United States from France, Italy, Germany, Spain, England, Cuba, Argentina, etc., are priced at about one-half of the price at which our domestic manufacturers are able to produce similar bags.

(b) Foreign governments, such as those of France, Italy, Germany, and Spain, are subsidizing the export of leather goods, particularly handbags, to the United States. This makes it much easier for foreign manufacturers to compete in our markets.

(c) The making of handbags requires considerable handwork. And, what is more important, on all operations which require machinery, foreign manufacturers use the identical type and kind of machinery used by manufacturers in the United States, such as clicking machines made by the United Shoe Co. for the cutting of leather; paring machines used for skiving of leather; electric knife machines used for cutting of linings; textiles, plastics, etc.; sewing machines powered by electric motors; turning-in machines used for the turning in of edges; cementing and gluing machines used to fasten component parts in the assembly of the handbags. Foreign manufacturers have the use of the same machines as the domestic manufacturers.

(d) Manufacturers of handbags in France, Italy, Germany, Japan, Spain, Cuba, and Argentina use thousands of homeworkers who work for a mere pittance, while in the United States we have long abandoned the practice of homework, and manufacturers cannot legitimately avail themselves of child and sweatshop labor.

(e) Manufacturers of handbags in the United States, even when they run non-union shops, are forced to comply with the provisions of the wage-and-hour law. In foreign countries the weekly working hours are from 48 to 54, and more. By the way, there is no limit on working hours for homeworkers.

(f) In the United States the majority of manufacturers and the majority of workers operate under union contracts. The workers are accorded paid holidays, paid vacations, health and welfare benefits, etc., besides job classifications and minimum scales of wages for the various crafts which exceed by far those conditions of employment accorded the workers of foreign countries even under union contracts.

(g) The foreign competition in the handbag industry is more than unfair competition. It is cutthroat competition. Foreign manufacturers are not selling their handbags and personal leather goods in competition with our manufacturers, they are actually and factually dumping their products on the American market. The danger point has long been exceeded, yet the Tariff Commission has done nothing about it, and we remain victims of cutthroat competition.

(h) Our workers used to enjoy between 6 and 8 weeks of work on summer goods. Summer bags from all over the world are flooding our markets today with our own workers on relief or on the list of the unemployed.

(i) The competition is increasing both in the total number of handbags imported as well as in the dollar value of these handbags and the volume of business done at wholesale by foreign manufacturers in the United States.

The following table compiled by the United States Department of Commerce shows the increase of foreign dumping of leather handbags on the American market—

Women's and children's handbags of leather: United States imports for consumption, by principal sources, 1949-53 and January-September 1954

QUANTITY—IN THOUSANDS OF PIECES

Country	1949	1950	1951	1952	1953	1954 ¹
France.....	3	88	138	151	193	129
United Kingdom.....	7	54	104	39	30	56
Italy.....	4	36	67	114	207	233
Cuba.....	40	84	125	147	220	161
All other.....	60	69	86	88	104	79
Total.....	114	331	520	539	754	658

VALUE—IN THOUSANDS OF DOLLARS

	1949	1950	1951	1952	1953	1954 ¹
France.....	57	596	1,056	740	1,048	697
United Kingdom.....	56	277	311	156	142	166
Italy.....	35	217	415	499	736	556
Cuba.....	297	534	777	935	1,177	752
All other.....	304	302	402	328	286	192
Total.....	749	1,926	2,961	2,658	3,389	2,362

¹ January to September 1954.

To be more plain and specific, the imports from France in 1949 amounted to 3,000 units while in 1953 we imported 193,000 units; from the United Kingdom in 1949, 7,000 units, while in 1953, 30,000 units; from Italy in 1949, 4,000 units, while in 1953, 207,000 units; from Cuba in 1949, 40,000 units, while in 1953, 220,000 units; and from all other countries in 1949, 60,000 units, while in 1953, 104,000 units. In 1949 our imports of women's and children's handbags of leather amounted to 114,000 units, and in 1954 they amounted to 754,000 units.

This volume includes only handbags made of reptile and other leathers. As for handbags made of straws, willow, bamboo, rattan, etc., they are imported at tariff rates of:

	<i>Percent tariff</i>
Natural straw.....	25
Willow.....	25
Rattan and bamboo.....	50
Paper and part bamboo or rattan.....	45

We have no figures available on the volume of imports of natural straw and willow handbags, but the volume of bamboo baskets and wood baskets and bags is tremendous. In 1953 foreign manufacturers dumped on our American market as many as 23,421,000 units of bamboo baskets and bags and wood baskets and bags—and all at a 50-percent tariff rate.

Needless to say, every one of these handbags displaces a handbag that would have been manufactured in this country. As a matter of fact, these types of handbags did replace the spring and summer handbags we used to make of leather, textiles, and plastics. Thus, the summer handbag business—and for that matter, the most profitable business for summer resorts such as Miami, the west coast, etc.—has dwindled to a point where it is now common practice for more than 50 percent of our workers to walk the streets between Easter and August.

(j) It is most important to point out the fact that our trade is a fashion accessory trade. The French and Italian couturiers still set the style. The French and Italian handbag manufacturers are the originators, and our domestic manufacturers are mostly copyists. French and Italian labels in handbags add prestige to the foreign products, another most distinct advantage for the foreign manufacturer.

(k) If our manufacturers still carry on in the face of these enormous disadvantages, and the total imports as against the total volume of business are still limited to date, it is for the following reasons:

1. The domestic volume business or quantities of handbags ordered by retailers and chain stores is several times larger and more efficient production is possible in the United States.

2. The domestic man output per hour is greater than that of foreign labor.

3. The time element of delivery from the manufacturer to the doorstep of the retailer is a considerable factor in allowing domestic manufacturers to supply the constant needs of retailers who, by the way, are not anxious to tie up purchasing power with foreign manufacturers. Deliveries are never certain, not to speak of possible tieups such as the recent tieup which plagued the New York piers and paralyzed the port.

4. The reluctance of many of the department and chain stores to place too large orders with foreign manufacturers far in advance for fear that the styles contracted for may be picked up by commissioners and domestic manufacturers directly and copied before delivery of their orders from foreign manufacturers—all of which limits their orders abroad.

If not for the aforementioned factors the cutthroat competition and foreign dumping would certainly have caused even greater hardships to domestic manufacturers than it has to date.

(l) Let it be stated again and again that while the country cannot sing the praises of the private-enterprise system in the steel, automobile, oil, rubber, and electric appliance industries (for those giant industries are controlled by a few), the private-enterprise system continues to thrive in the handbag, luggage, and personal leather goods trades where it takes very little capital to start a small manufacturing business. In the handbag trade alone, as stated, we have more than 650 manufacturers of all sizes. The average shop employs between 20 and 35 workers. Manufacturers' capital is limited, so is their credit—hence, the high rate of mortality.

(m) The wages of the workers of our trades are depressed due to the depressive excise tax on all items of our manufacture, as well as the cutthroat competition from abroad. Yet, while the wages of the workers of our trades are generally depressed in comparison with the other trades in the United States, the wages of the handbag and personal leather goods workers in foreign countries are but a half of the average wage of our skilled and semiskilled workers—and in most instances, less than one-half.

(n) We cannot emphasize too strongly that we have been facing a dwindling volume of business for the last few years. The total volume of handbags sold in 1947 was \$200 million at wholesale—in 1953, only about \$135 million at wholesale. A further reduction in the tariffs on handbags and personal leather goods would make for greater depression and more unemployment.

In conclusion, the tariff on handbags made of reptile has already been reduced 50 percent, from 35 to 17½ percent; on handbags made of other leathers it has been reduced 43 percent, from 35 to 20 percent; on straw, basket, and straw-woven handbags it has been reduced 50 percent also, from 50 to 25 percent.

As pointed out hereinabove, we are hurt most by the importations of handbags made of other leathers which amounted to 298,070 units in 1951 and which jumped to 520,815 units in 1953, and from the importations of straw, bamboo, rattan, and wood baskets and bags which amounted to 23,421,000 units in 1953.

(13) The more than 100,000 persons engaged directly or indirectly (by indirectly we mean those engaged in the processing of raw materials and accessory items, and in their manufacture, which go into the making of handbags such as leathers, plastics, flannels, paperboard, frames, mountings, locks, trimmings, paper boxes, thread, wrapping paper, twine, etc.) in the making of handbags and pocketbooks who depend for their livelihood on steady employment and a steady income, in whose name we speak, plead respectfully with the finest committee of the Senate to reject any further reductions or lowering of our tariffs on ladies' handbags and pocketbooks of all kinds and categories because of the extreme hardships we suffer today which, if increased, we shall not be able to bear.

Mr. ZUKOWSKY. Yes, we would rather help others than depend upon handouts ourselves. The bill H. R. 1 proposes to do just that.

We are certainly cognizant of the fact that some very well-meaning Americans, including some spokesmen for labor, are in favor of the proposed administration measure, known as H. R. 1, to reduce further the tariffs on handbags and pocketbooks to the extent of 15 percent during a period of 3 years. We are familiar with the bill, H. R. 2386, which proposed and embodied, among other things, aid to the victims of foreign dumping of goods on the American market—victims of all kinds, both labor and employers. We also know of the bill recently

introduced by the Honorable Senators Hubert H. Humphrey, of Minnesota, and John F. Kennedy, of Massachusetts, which would provide for the following:

- (a) Unemployment compensation;
- (b) New job training and transportation to new employment areas;
- (c) Setting up a loan program for industries and communities crippled by imports.

Senator MALONE. What page are you on?

Mr. ZUKOWSKY. This is a statement, Senator, supplementing the brief submitted in behalf of our union.

Senator MALONE. Do you have a copy of this statement?

Mr. ZUKOWSKY. I have another copy, if you can follow it.

Would you like to read it?

Senator MALONE. I was having trouble with your original statement here.

Mr. ZUKOWSKY. I have just completed the first page.

Senator MALONE. Well, now, up to now, do I understand that you are for this bill introduced by Senators Humphrey and Kennedy for more unemployment compensation and job training and transportation to new employment areas and setting up a loan program for industries in communities crippled by imports? Is that the purpose of your testimony?

Mr. ZUKOWSKY. I would like to complete the statement, Senator, if I may.

Senator MALONE. Go right ahead, but I lost it entirely up to now.

Mr. ZUKOWSKY. I am sorry.

We appreciate those proposed measures and in reply beg to state the following:

1. Congress paid no attention to H. R. 2386 and ignored the proposed bill as if it were a scrap of paper.
2. The House Ways and Means Committee, contrary to the expectations of visionaries and optimists, never made an effort to double up the provisions of said bill with H. R. 1.
3. We believe that the proposed measure by the Honorable Senators Humphrey and Kennedy will have the same fate.
4. We oppose the entire philosophy of more trade and less aid abroad and less trade and more aid at home. We insist that it is much better to give than to receive and we shall not be misled by the catchy slogans of advertising agencies. We look for substance, not for words.
5. Many thousands of our people spend their lives in the arts and crafts of making handbags and personal leather goods and all talk about new job training is brutal and un-American, and those familiar with the problems of job retraining know how impractical it is.

Senator MALONE. Isn't that as a matter of fact, the transfer of workers to different areas in the country, really a Russian innovation? That is what they do, isn't it?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. Go ahead.

Mr. ZUKOWSKY. 6. Those who talk about shifting workers from localities where they have their homes and families and have made their livelihoods making handbags and pocketbooks and place them in new employment areas are again unmindful of the tragedy of breaking up homes and of seeking employment in other industries as

learners. Those who think that it is merely a transportation problem, do not know what they are talking about.

7. Those who speak about setting up a loan program for industries and communities crippled by imports use words which have no meaning.

Yes, if those words mean anything they mean only handouts and relief as it is incredible even for the Government of the United States to make loans on thin air.

The clear and present danger of foreign dumping of handbags and pocketbooks on the American market has been stated in a simple statement of facts by one of the outstanding manufacturers of handbags in the United States and one who is best qualified to speak of European markets because of his background and experience abroad. I refer to the statement made by Mr. Louis J. Coblentz of Coblentz Bag Co. which appeared in Women's Wear Daily of March 11, 1955, to wit:

While the average union wage in the handbag industry in New York is about \$2 an hour, European handbag workers received approximately 40 cents an hour.

He drew attention to a new evil which our domestic handbag manufacturers are facing, namely, American buyers take good selling American handbags and copy them abroad and thus, as can be readily seen, offer American products with the stamp of foreign countries' famous labels; having reproduced the bags for so much less which makes for further cutthroat competition, further depression of our markets and further demoralization of the trade.

Senator MALONE. Do you mean that some American companies do that job?

Mr. ZUKOWSKY. Yes, Senator.

Senator MALONE. You heard the testimony a little earlier of Mr. Batt, I believe, where he said he was not aware that that had ever been done when I asked him the question.

Mr. ZUKOWSKY. I did. I am sorry that Mr. Batt is not as well informed as I as a layman would expect.

The following are but a few of the highlights of our brief—

1. In 1953 as many as 23,421,000 units of bamboo baskets and bags and wood baskets and bags were imported into the United States.

2. Though the rate of duty was 50 percent, our manufacturers at home could not duplicate the values of the imports to retail at double the price.

3. We cannot emphasize too strongly that of the 14,395,000 wood baskets and bags imported into this country in 1953, over 8 million units came from Japan.

Senator MALONE. What you are really pointing to and all you ask is a fair and reasonable competitive market which would make up that differential in the wage standard of living and taxes and the cost of doing business, and with the chief competing nation?

Mr. ZUKOWSKY. Exactly, Senator, no more, nor less.

Senator MALONE. And of course it can readily be seen that 40 cents an hour and \$2 an hour would probably come to more than 50 percent. Could you tell me for the benefit of the record about what percentage of the cost of a handbag is in the wages that the workers get?

Mr. ZUKOWSKY. Well, I can answer you, Senator, by saying that basically, if you will bear with me, the handbag industry is a hand-craft operation. The productivity differences between the United States industry and foreign competition are very slight.

Senator MALONE. Yes.

Mr. ZUKOWSKY. However, as to wages, total labor costs, material costs and overall production costs, the foreign manufacturer is at a considerable advantage over the domestic manufacturer. The tariff rates still do not compensate for that difference.

Senator MALONE. But in the average handbag—

Senator LONG. What is the tariff on handbags? Can you tell me that?

Mr. ZUKOWSKY. The tariff on handbags, sir, it is 50 percent on baskets and bags made of bamboo and wood. On baskets and bags made of willow and straw, the rate is 35 percent.

Senator LONG. Is that based on foreign value?

Mr. ZUKOWSKY. No; that is based, I believe, on value here. Now, that is only on wood and baskets. Now on reptile—

Senator MALONE. What was the 35 percent on?

Mr. ZUKOWSKI. In 1938 the rate of duty on reptile leather was 35 percent. In 1939 it was reduced to 25 percent.

Senator MALONE. That is leather?

Mr. ZUKOWSKY. Yes.

Senator MALONE. Twenty-five percent later?

Mr. ZUKOWSKY. Yes.

Senator MALONE. The question, then, we come back to is what percentage of the cost of the handbag is represented by labor; half, two-thirds?

Mr. ZUKOWSKY. I am sorry, I am not in a position to give you that information. However, I can get it for you.

Senator MALONE. I would like for you to, because it would without doubt be at least half, wouldn't it?

Mr. ZUKOWSKY. I think so. I would say minimum.

Senator MALONE. It would probably be more than that.

Mr. ZUKOWSKY. Surely.

Senator MALONE. But if it were half, then the discrepancy between the 40 cents an hour and the \$2 for labor would not be made up by a 50-percent tariff.

Mr. ZUKOWSKY. That is right.

Senator MALONE. Your whole point is to have a duty adjusted continually on the basis of fair and reasonable competition to make up that differential in cost represented by the wage standard of living, taxes, and other costs of doing business between this Nation and the chief competitive nation.

Mr. ZUKOWSKY. That is our plea and our objective.

Senator MALONE. That is the 1930 Tariff Act, is it not?

Mr. ZUKOWSKY. Yes.

Senator MALONE. If it were fixed too high or too low in 1930, the Tariff Commission was directed to go ahead and fix it where it belonged; isn't that right?

Mr. ZUKOWSKY. Yes, Senator.

Senator MALONE. Go ahead. But we did change the entire policy when we passed the 1934 Trade Agreements Act and took in the political factors in Europe, Asia, and Africa, and in the measuring of industry, economic factors in industry here, interjecting many factors that the President reviews in determining what the duty should be on the overall good to the Nation.

Mr. ZUKOWSKY. That is obviously what has actually happened.

Senator MALONE. And that is what you object to being traded off for some other industry.

Mr. ZUKOWSKY. That is right, sir.

Senator MALONE. Go ahead.

Mr. ZUKOWSKY. Our trade is in mortal fear that the tariff rate will be reduced further as our home manufacturers cannot produce the same values to retail at twice the cost.

4. The rate of duty on leather handbags is 20 percent. The rate of duty on the reptile handbags is 17½ percent, with Cuba having a preferential rate of 14 percent. In 1938 the rate of duty on reptile and leather handbags was 35 percent.

Senator MALONE. What is reptile?

Mr. ZUKOWSKY. Snakeskin, lizard.

Senator MALONE. Oh, reptile. I misunderstood you.

Mr. ZUKOWSKY. Since 1939, both of these commodities have been reduced—reptile handbags, a 50 percent reduction; leather handbags, a 43 percent reduction.

5. In 1949, we imported 3,000 women's and children's handbags of leather from France, and 193,000 in 1953; from the United Kingdom in 1949, we imported 7,000 and in 1953, 30,000; from Italy in 1949 we imported 4,000 and in 1953, 207,000.

Senator MALONE. What are the wages there in Italy as compared to our own?

Mr. ZUKOWSKY. I believe those figures will be submitted here, but they are substantially so much lower it doesn't begin to compare.

And we imported from Cuba in 1949, 40,000, and in 1953 220,000; from other countries in 1949, 80,000 and in 1953 104,000 units—or a total of 114,000 units imported in 1949 and 754,000 units imported in 1953.

6. Close to 100,000 Americans depend directly or indirectly for a livelihood on the handbag industry in the United States.

7. It should be noted that the private-enterprise system in the handbag and personal leather goods industry in the United States is an energetic but struggling one. The total number of manufacturers is more than 650 at the present time.

8. These 650 manufacturers are competing for a total volume of business at wholesale of approximately \$135 million.

9. The total volume of business at wholesale in 1947 was \$200 million. Thus, for the last few years the trade has been on the decline, the phenomenal growth of population in number and age notwithstanding.

Senator MALONE. What you are talking about is the domestic business has decreased on account of the imports.

Mr. ZUKOWSKY. The imports have contributed terrifically to that.

Senator MALONE. Now the lower wages of 40 cents an hour that you mentioned at first while they are \$2 an hour here, is there a substantial difference in the way these workingmen live in these countries and here?

Mr. ZUKOWSKY. The standard of living, sir, is considerably different and doesn't begin to compare with our American way of life.

Senator MALONE. In other words, we have had an idea here in the last 40 or 50 years that a man working with his hands in the leather industry and in the mineral industry or textile industry or glass in-

dustry ought to be able to live in a decent house, and have good food.

In other words, the necessities of life and a considerable number of luxuries are available to him, which is entirely unknown to a foreign workman, isn't that true?

Mr. ZUKOWSKY. Yes, sir. The average foreign workman, I imagine, would be completely amazed, he just wouldn't begin to understand what the benefits, what our way of life means, what the average leather-goods worker, his benefits working in a shop such as paid holidays, vacations, health and welfare benefits, pension funds, and so on.

Senator MALONE. Well, now you have heard testimony here of several witnesses, some you maybe didn't hear.

Mr. Hoffinan of the Studebaker Co. thought there ought to be a progressive lowering of tariffs. **Mr. Batt** today testified that you had to continually lower the tariffs to have proper competition so people would work harder or try to decrease costs.

What do you think would be the final result in a progressive lowering of tariffs? Would there be a progressive meeting, averaging of the living standards here and abroad, with the resulting lowering of our own, providing we all just kept in business and insisted on staying in business regardless of what we had to do to stay?

Mr. ZUKOWSKY. Well, Senator, I am sorry to say that I am not an economist. My qualifications don't go that far, to my regret.

But it is obvious that an irresistible force meeting an immovable body, that something must give, and our standards must go down. It seems inevitable if our manufacturers and if our workers are going to stay on the jobs.

We are not going to keep up the pace that we are, the benefits, the standards of living, and continue indefinitely. It is just impossible.

Senator MALONE. Then what you have to do with a progressive lowering of tariffs, if it is not on the basis of fair and reasonable competition, is to lower the wages and write off the investment down to where you meet the competition or go out of business; is that about it?

Mr. ZUKOWSKY. I am sorry to say that I have to agree with you. In this case definitely.

You asked before, Senator, if I may digress—I was looking for it while you were making your point or inquiring as to my reaction on the question—so far as Japan goes, to the best of our knowledge the regular working hours in Japan are 54 hours a week. We are informed the wage rates range from 9 to 19 cents an hour.

In England the average wage is \$25, in France \$20, in Germany \$21, in Italy it is \$25. And in Cuba it is \$15, all for a workweek of 48 hours, whereas our workers, the New York State Department of Labor Market Review for October 1954 showed the average weekly earnings for production workers in the leather-goods industry in New York for August 1954 was \$51.11 for an average week of 36 hours, and of course, our industry has been depressed.

Senator MALONE. Tell us for the benefit of the record how do these workers compare with Japanese workers and other workers with which you are familiar in competency and in efficiency?

Mr. ZUKOWSKY. Well, I would say because of the great amount of handcraft production involved, that the foreign worker can produce, does produce and turns out a very fine product.

Senator MALONE. Just as good and experienced workers as our own under the same conditions?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. In other words, if an American producer buys into one of those firms and he takes some of these superintendents, foremen, he could get just about as much work out of an Englishman, a Scotchman, a Frenchman, or a Japanese as he could out of an American worker.

Mr. ZUKOWSKY. Yes, sir; he gets more in a sense that the workweek is longer.

Senator MALONE. But per hour?

Mr. ZUKOWSKY. Yes.

Senator MALONE. It wouldn't vary very much.

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. Go ahead.

Mr. ZUKOWSKY. Now to go back to our statement, there are 650 manufacturers competing for a total volume of business at wholesale of approximately \$135 million. Now in the total volume of business at wholesale 1947, it was \$200 million. Thus for the last few years the trade has been on the decline, the phenomenal growth of population notwithstanding.

10. Our manufacturers belong to the small-business men's group in the United States and a shop employing between 25 and 35 workers is an average size shop.

11. Our manufacturers operate on a limited capital and one bad season may prove disastrous to the existence of a small producer of handbags. Hence, the high rate of mortality in the trade and the limited credit afforded them by banks and raw material producers and processors.

12. Foreign manufacturers enjoy many advantages, such as cheap labor, unlimited number of home workers, a workweek of 48 to 54 hours, very limited fringe benefits such as vacations with pay, pay for legal holidays, health and welfare benefits for workers, et cetera.

Senator MALONE. What about industrial insurance for injured workers? Do they have the same protection in many of these countries that we have here?

Mr. ZUKOWSKY. To my knowledge, they do not have it.

Senator MALONE. Unemployment insurance?

Mr. ZUKOWSKY. No, Senator; another one of the benefits that our workers enjoy that they don't have.

Senator MALONE. It is my information made in other studies in other categories that there are several countries that pay less wages than we pay in benefits such as industrial insurance, social security, unemployment insurance, and housing and other benefits.

Go ahead.

Mr. ZUKOWSKY. In many countries, foreign manufacturers are also being subsidized by their governments on their exports to the United States. In the case of France, one of the outstanding exporters of handbags to the United States, the subsidy given to manufacturers is to the extent of 10 to 12 percent.

Senator MALONE. How is that subsidy arranged?

Mr. ZUKOWSKY. It is very clever. I may have some notes here and I would like to give you the answer. In France they call it lump refund on tax and social benefits for exports toward the United States

and Canada. This French law gives the French handbag manufacturer a rebate of 80 percent of the social charges laid to the French Government.

This is tantamount to a subsidy granted by the French Government on leather handbags exported to the United States. Of course, this is a decided advantage of considerable importance that the domestic manufacturer has no way of overcoming. And France is one of the principal exporters of leather handbags.

Senator MALONE. They also have had a way, for a while—I can't say for certain that they are still doing it, I never knew them to abandon anything of this nature—that something they wanted an exporter to export to the United States when they received the dollars, the dollars had to be turned in to a central bank. Then they were given a certain number of francs for the dollars.

Now, if they exported something that they didn't want exported, they gave the exporter a lesser number of francs per dollar, so that it really amounted to a subsidy of more francs to the dollar if they exported something that they wanted exported to a certain point from France. Do you know about that?

Mr. ZUKOWSKY. I have heard of such arrangements, Senator, and in fact one of the prominent handbag importers in New York was involved in some sort of a scheme like that. Of course, it was to the detriment of the other manufacturers of our industry and of our workers, members of our union.

Senator MALONE. The whole point is that they never keep the spirit of an agreement. There are many, many ways of evading the issue, and they have had experience for 200 years in living by their wits on foreign trade. We meet them on an equal basis without any knowledge or experience and deal apparently as we do across the board, thinking they are trying to help world trade like we are. That makes it really a one-way street.

Mr. ZUKOWSKY. Well, it is definitely, and it applies particularly to our industry. We are taking a real licking.

Senator MALONE. Go ahead.

Mr. ZUKOWSKY. West Germany has a strongly developed leather goods and handbag industry. More than 2,000 manufacturers of handbags and small leather goods items, such as briefcases, note cases, cigarette cases, suitcases, manicure and overnight cases, belts and so forth, are geared for greater export business, particularly for the American market.

The figures available on West German exports are only for the years of 1951 and 1952. In 1951, the exports amounted to \$600,000 and in 1952 the million dollar mark had been exceeded by the end of October and has been on the increase ever since.

14. The countries of Italy, Spain, and Cuba are also being helped by their respective governments in many ways to do a larger export business.

15. The hours of labor for the handbag workers in New York City are 37½ per week, and 40 hours per week for workers outside of New York City. The workers of New York City enjoy pay for legal holidays, 1 and 2 weeks' vacation with pay, health and welfare benefits including provision for old-age benefits of pensions and retirement. The handbag and leather-goods workers outside of New York City likewise enjoy pay for legal holidays, vacation with pay, health and

welfare benefits to which the employers contribute between 2½ and 3 percent of the total gross payroll.

The New York State Department of Labor Market Review for October 1954 shows that the average weekly earnings of production workers in the handbag and leather-goods industry in New York City for August 1954 was \$51.11 for an average week of 36 hours. This, of course, does not include the fringe benefits which add at least 10 percent more to the average wage.

The information we have regarding working standards and conditions in other countries is as follows: In England the average is \$25, in France \$20, in Germany \$21, in Italy \$25, and in Cuba \$15, for a workweek of 48 hours.

A further reduction in the tariff, to the slightest extent, in face of the present and real danger facing the industry would prove disastrous. Yet, the administration proposes in H. R. 1 a further reduction in the tariffs of as much as 15 percent more.

We respectfully urge on this honorable committee the rejection of any further reduction, lowering of our tariffs on handbags and personal leather goods of any and all kinds and categories because of our continuing extreme hardship endured today.

Senator MALONE. Tell me why it is. It has always been amazing to me to see workingmen's organizations come out in favor of free trade? Have you ever given this matter any thought, your own working group, as to why there are certain working groups advocating free trade?

Mr. ZUKOWSKY. It is quite an interesting subject, Senator, and there is pro and con to it, and it has been debated, of course, back and forth. We have given it some thought.

Of course, there are many labor leaders who have opinions, interested in building up the economy of the world, and their theory, of course, is that eventually the balances of production and benefits will percolate to all sections of every hemisphere.

However, that is theory. How it has worked out in practice so far is a different story, and I have heard today some reactions and some opinions and statements of what has been the case in fact.

Senator MALONE. Have you ever given it any thought, that maybe we are encouraging the holding down the wages in these foreign countries by encouraging lower tariffs, due to the fact that that allows the manufacturers, whoever they are, either Americans that go there or the natives of that particular country, to increase their profit on account of the lower tariffs here, and the lower they can hold their wages, the difference is what they can keep, regardless of whether it is fair profit or a high profit or too much of a proportion of a profit.

But if we reverted to the 1930 Tariff Act on the basis of fair and reasonable competition and took that difference between the wage standard of living and the taxes and the cost of doing business here with that of the chief competing nation when the product arrived at the wharf, caused the difference to be paid to the United States Treasury, then they could not increase their profit by holding wages down. Wouldn't that tend these same manufacturers to encourage higher wages abroad so that they might increase the buying power, because they couldn't keep that money anyhow?

They would have to pay it into the United States Treasury. Aren't we just on the wrong side of the fence if we say we are trying to increase wages abroad?

Mr. ZUKOWSKY. It seems to me, Senator, that you are not only right but actually that is what has happened here in our country. Employers through collective bargaining, through the natural flow of economy, have raised wages. It has meant more buying power.

And, of course, the same workers, the same human beings, the same American workers who produce buy the automobiles and the handbags and the odds and ends of all the thousands of products that make up our economy. And it has worked out.

We have the highest standard of living in the world today. So your inquiry is certainly practical, is workable, is happening here, and it seems to me that they could try it over there and put it into effect and not lose on it.

Senator MALONE. Now if it is true as Mr. Dulles says it is, that if we carry out this act properly that it will do some injury. It injures first the weaker and less economical units in the industry, not the large organizations or large investors that are not only strong enough to manufacture different products here, but can protect themselves better, but are strong enough to go behind the low wage curtain and put in a factory and send the stuff here. It will get the small investor first and the workingmen's jobs here.

If that is a fact, and Mr. Dulles says it is, that if the 1954 Trade Act were properly administered, it will hurt somebody while remaking the industry map to a certain extent to conform to political problems and factors. If that is true, is it your opinion that it will result, in an average standard of living throughout the world, and ours as a consequence will go down if we have to meet it?

Mr. ZUKOWSKY. Yes, sir, I think it is inevitable, just a question of time.

Senator MALONE. I have said this several times, and that is the reason I am really unable to support a group of workers who support this act.

Couldn't it really be called a conspiracy to destroy the American workingmen and the American small investor?

Mr. ZUKOWSKY. Well, I don't like the word "conspiracy" but—

Senator MALONE. I don't mean that Congress has conspired. I am talking about the people that are behind these acts.

Now, when we recognized Communist Russia in 1933 I don't think the people, the officials who approved that recognition, had anything in mind but good will toward Russia.

I think there were a lot of people that knew what would happen, that they were not our friends, when they passed this act to rearrange the industrial map of this country.

When they passed this act, this was the first approach that I named the political approach, communism; this is the economic approach to destroy this Nation, and it is not the traitors in this country who are the most dangerous, but the people who believe it and promote it under their real honest belief that it is a good thing, and that in some mysterious way it is going to work out all right.

Mr. ZUKOWSKY. Whatever the purpose, whether deliberate or imaginery or because those individuals really believe that it is going to work out all right, as you say, Senator, the results are the same.

The result is that the little businessman in our industry and in many others are feeling it. And I think eventually every one, it must trickle upward too and pull down the better paid.

Senator MALONE. If this is true what you and I have developed here that you have to lower the wages to meet the competition or go out of business, I want to ask you one more question.

Do you think that the living standard, the wage standard of living in this particular business or in America is too high?

Mr. ZUKOWSKY. I certainly do not. I say not only is it not too high, but there is no limit to the horizon of a standard of life, of living in our country. If everyone pulls together, we can go much further.

Senator MALONE. Well, do you think through the inventions and shortening of working hours, through the inventions that enable us to do more work in an hour, that that results in a continually raising of our living standards?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. You and I have to face this. It doesn't make any difference what we think. There are a lot of people in this country who think the wage standard of living is too high, whether you like it or not, or whether I like it or not.

I ask you if you thought so because this thing will certainly result in lowering it. And you heard today, and I will tell you if you didn't hear it, that there is a bill before this committee right now to give the foreign investor another 14 percent advantage in the income tax. In other words, there is an advantage to taking capital abroad, using these low wages, lowering the duty and lowering the tax you pay.

Mr. ZUKOWSKY. I heard it mentioned today.

Senator MALONE. You will hear of it. And it may pass. I don't say it will. I will have to find out something about it that I don't know about now or I will not be for it.

But all these suggestions are coming fast through our Congress. Now you have to face it. If the majority of the people in this country think the wage living standard is too high, they are promoting the proposition to get it back to where they think it belongs, and there could be some food for thought in that remark.

Mr. ZUKOWSKY. Well, there is always plenty to think about on subjects like that.

Senator MALONE. Now, without spending too much time here, I think you have made a fine statement and you have certainly gotten your ideas across that you just can't compete with 40-cents-an-hour labor or with \$2 labor with this type of an industry, or 19 cents an hour, or 9 cents an hour that you might find in Japan. You couldn't compete with that sort of competition.

Do you understand that if this act is not extended, we do revert to the 1930 Tariff Act when there is no trade agreements on a particular product?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. That goes into effect on June 12 of this year, you do understand that?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. Now, when there are trade agreements made, only the President can cancel those agreements by serving notice on the country with which they were made, and after a certain stated length of time, they are subject to the Tariff Commission, you understand that?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. And then if he did see fit to cancel these trade permits, the Tariff Commission then can proceed on the basis of fair and reasonable competition to determine what that difference in cost is, considering the wage standard of living, taxes and all other costs of doing business, and in the chief competitive nation, and recommend that to be the tariff or duty. You understand that?

Mr. ZUKOWSKY. Yes, sir.

Senator MALONE. Now they are limited to 50 percent, which would probably not be sufficient up or down, because during the last 20 years we have had inflation of probably 50 or more percent, which lowers the fixed duty in reverse proportion.

So probably Congress would have to amend the act to give them more latitude, which would be a very easy thing to do if Congress determined to go that route again.

Now, you are in favor of the reversion to the principle of fair and reasonable competition, as I understand it, in fixing duty?

Mr. ZUKOWSKY. That is correct, Senator.

Senator MALONE. And against the extension of this act?

Mr. ZUKOWSKY. That's right.

Senator MALONE. All right.

Mr. ZUKOWSKY. Thank you.

Senator LONG. All right. Mr. John Breckinridge, Pin, Clip & Fastener Association.

Do you have a prepared statement?

STATEMENT OF JOHN BRECKINRIDGE, PIN, CLIP & FASTENER ASSOCIATION

Mr. BRECKINRIDGE. No, sir; I don't have a prepared statement.

Mr. Chairman, my name is John Breckinridge. I am an attorney here in Washington, D. C., of the firm of Pope, Ballard & Loos. I appear here today in behalf of the Pin, Clip & Fastener Association, 74 Trinity Place, New York, N. Y., primarily in behalf of those members who produce safety pins and straight pins.

We presented a statement to the Ways and Means Committee of the House on this bill H. R. 1, and would like to refer to that, which appears at pages 1964 to 1978 of the House printed hearings.

We basically are opposed to the trade agreements programs as the means of setting tariffs because we feel it primarily constitutes a method of trading one American industry off against another. We think that is unsound.

We also think it is unconstitutional, but I don't want to elaborate on that. In that connection I would like to endorse the statements that have been made before this committee by Mr. Strackbein of the Nationwide Committee of Industry, Agriculture, and Labor on Import-Export Policy, and of Mr. Richard F. Hansen of the Allied Chemical & Dye Corp., which I thought was a very excellent analysis of the bill and the various weaknesses in it.

I would like to confine myself to what we consider one of the most serious weaknesses of the law, if it is to be extended in any form, and that is the escape clause which Congress enacted in 1951 as the result of dissatisfaction with the administration of the administrative escape clause, and set up specific criteria for the Commission to follow.

We feel that through interpretation of that act by the Commission and by the President that it has been made completely ineffective.

The statement made here on Monday of this week by Secretary of State Dulles I think confirms the policy of the administration, which is transmitted to the Commission through the President's overruling the findings of the Commission when they do find injury. That boils down to a policy that they do not intend to effectively administer the escape clause to prevent injury.

The Secretary said that the intent and anticipation of the Trade Agreements Act, and if extended under H. R. 1, was that it would cause injury to many industries, and that was to be expected.

We think that is directly contrary to the intent of Congress as was pointed out by Senator Millikin by repeated questioning and reading of the law, where the law is mandatory that no concessions are to continue in effect if it causes injury to a domestic industry.

Senator MALONE. Now, right at that point, Mr. Breckinridge, does the law say that? Doesn't it say that the President of the United States is the sole judge after the investigations have been made that the law provides as to what shall happen?

Mr. BRECKINRIDGE. The escape-clause policy laid down by Congress, which is section 6 of the Trade Agreements Act of 1951—

Senator MALONE. What does it say?

Mr. BRECKINRIDGE. Makes it positive congressional policy that no concession shall be allowed to remain in effect if, as the result of that concession, imports increase in such quantity as to cause serious injury to a domestic industry.

Senator MALONE. Doesn't it say, however, that the President is the final judge?

Mr. BRECKINRIDGE. Later in section 7, which is the procedural aspect of the escape clause, it does permit the President not to put an escape-clause finding into effect.

Senator MALONE. Then why do you say it is mandatory?

Mr. BRECKINRIDGE. I say the congressional policy is mandatory. But I will grant you, Senator, that it leaves an out for the President.

Senator MALONE. I just want to come back to one thing. This is going on the ninth year I have listened to statements that the Congress wants to do this, and that Congress wants to do that. But how do you know they do if they don't say it in the law? They leave it to the President of the United States, in this case to use his own judgment, as to whether he takes the decision of the Tariff Commission on the escape clause or the peril point or the opinion any other adviser that he might elect to consult. Now, isn't that true?

Mr. BRECKINRIDGE. Yes, sir, that is true. That loophole has rendered the escape clause completely ineffective.

Senator MALONE. Do you think anybody could read that and not know the loophole is there?

Mr. BRECKINRIDGE. The loophole is there, but I believe the Congress did not intend it to be administered the way it has been.

Senator MALONE. Didn't Congress write the bill?

Mr. BRECKINRIDGE. Yes; Congress wrote the bill.

Senator MALONE. Well, if you will look back through some of the debates, some of us continually, hours at a time, have been on the Senate floor, and in this committee, and said just what you have submitted now, and that is that it is simply a joker to wet the people down for another year or two on the theory that they are not going to be injured.

Mr. BRECKINRIDGE. That is the way it has worked out, I will agree with you, Senator.

Senator MALONE. You are a lawyer; aren't you?

Mr. BRECKINRIDGE. Yes, sir.

Senator MALONE. How can you read the bill and not know that?

Mr. BRECKINRIDGE. I do know it.

Senator MALONE. You knew it then; didn't you?

Mr. BRECKINRIDGE. I think that Congress anticipated that the President would only upon rare occasion reject a finding of injury and recommendation for relief by the Tariff Commission.

Senator MALONE. But don't you believe that every Senator on that floor knew that he could if he wanted to, under that bill?

Mr. BRECKINRIDGE. Senator, I believe so, and what I am recommending here is that you either close that loophole or that you repeal the escape clause entirely, so that it is not held out as a farcical method of relief to domestic industry, which it is not.

Senator MALONE. Did you ever consider just not extending the act?

Mr. BRECKINRIDGE. I stated to begin with that we were opposed—

Senator MALONE. To the extension of the act?

Mr. BRECKINRIDGE. To the extension of the act, because we were fundamentally opposed to trade agreements as a method of setting tariffs.

Senator MALONE. Now it could be in just an ordinary conference, some place of short duration, that a few people might misunderstand a paragraph written in a bill or that was about to be written in a bill.

Do you think that it is understandable that it was not explained to 96 Senators and 435 Congressmen, that it was left to the discretion of the Executive alone to make the decision regardless of what his advisers—and one of them was the Tariff Commission—should state to him?

Mr. BRECKINRIDGE. There is certainly no reason for them not knowing it now, and that is what the balance of my statement is going to be directed toward, that they should know it and they should do something about it.

Senator MALONE. Didn't you hear debate on this subject, that it was very plain that that was exactly what it wasn't intended to do, to wet the people down for another 2 years or 4 years so they would think they were going to get the protection that they did have under the 1930 act?

Mr. BRECKINRIDGE. I believe so. I testified before this committee in 1951 when they adopted the escape clause that I felt unless they made it mandatory upon the President it would be of no value to industry.

Senator MALONE. If they made it mandatory upon the President, the weakness then would be that they make the 3-year agreement, that the

Tariff Commission can only through invitation reexamine it, and they couldn't be invited to do it for 3 years.

Under the act it is plain—and if anyone ever testified any plainer than Mr. Dulles did here a couple of days ago, I never heard them, he was really a good witness and for the first time I have heard a witness before this committee come right out and answer the question as he saw it.

Mr. BRECKINRIDGE. I was very pleased to see him so honest.

Senator MALONE. And what did he say? He said, of course, there will be injury to some industries. His exact language is:

I do recognize the competition, whether it is domestic or foreign, does injury, and it injures, first, the weaker and less economical units in an industry.

In other words, an organization big enough and of such a nature that it can go behind the low-wage curtain, build its factory, and bring the stuff in here, is not going to be injured, they could escape injury.

Mr. BRECKINRIDGE. The only way they could escape is to move their production force abroad.

Senator MALONE. Isn't that what the act is for in the beginning?

Mr. BRECKINRIDGE. I believe a lot of opponents against the act really propose that thing.

Senator MALONE. Of course. The objective of changing it was to have a fair and reasonable basis of competition where, just like fixing the freight rates in ICC, Congress said to them, fix the rate on the basis of a reasonable return on investments. Now if they had gone on to say you may consider other factors, that some parts of the country are not so well developed, there are less people, or more people, or whatever it is, and you may determine of your own volition whether or not to arrive at this reasonable return; in some instances you might make a less-than-reasonable return, in some you might give them a more reasonable return; then you have given them factors beyond the law at the present time, haven't you?

Mr. BRECKINRIDGE. Yes, sir.

Senator MALONE. Now, what you did in the 1934 act, you changed the principle of fair and reasonable competition as a basis of setting a duty, to a duty that would in the opinion of one man, the Executive—that the Constitution never contemplated would have anything to do with it whatsoever—you left it in his hands to determine international political factors that you might buy friends or influence people by giving them a little more trade here and a little more trade there.

Mr. BRECKINRIDGE. We believe that was wrong, Senator Malone.

Senator MALONE. I didn't say it was wrong. I said that that was what they intended to do, to trade these industries off and get something in return, for fixing up these political factors in Europe, meshing industry in this country between agriculture, manufacturing, and mining, that is absolutely in the bill itself. How could you misunderstand it?

Mr. BRECKINRIDGE. I didn't, sir. I believe it was so intended that it actually operate that way.

Senator MALONE. And it is operating that way?

Mr. BRECKINRIDGE. That is right.

Senator MALONE. Then how can people come here and say: "We are protected; there will be no injury to any industry"?

Mr. Dulles was a breath of fresh air in this committee.

Mr. BRECKINRIDGE. We have never said that, Senator.

Senator MALONE. You are treading pretty light. Go right ahead.

Mr. BRECKINRIDGE. Our position is that the act should not be extended, but if this committee and the Congress decide otherwise, we feel that they should at the minimum clarify and strengthen the escape clause so that it does accomplish what I believe Congress intended in 1951, that individual product industries not be injured.

I think Congress intended that in 1951 as an absolute limit on the President's power to negotiate agreements, and they gave him authority to negotiate agreements only provided the escape clause would be administered effectively to stop injury when it did occur as found by the Tariff Commission.

Senator MALONE. They tell me there are more than 60 lawyers on that Senate floor, and if they intend to write anything that means a certain thing, they can write it. They didn't mean it, or they would have written it.

Mr. BRECKINRIDGE. I hope they are better aware of what is happening today than they have been in the past.

Senator MALONE. They may be. I have heard testimony here that there is a majority of Senators that believe that this is the way to strengthen our allies or to keep our allies up. I think we had better face the subject, face the truth of this thing.

Mr. BRECKINRIDGE. I agree with you, Senator. That is the basis of our position, that if Congress should decide to extend this act without clarifying and extending the escape clause and other safety valve provisions, then they should be honest with the public and repeal those provisions, because they are not effective, they do not constitute any protection to the domestic industries, and the public shouldn't be misled to think there is a provision in the law that does.

Senator MALONE. I thoroughly agree with you both on the escape clause and the peril point. Both are simply methods of wetting down public opinion.

Now, you are aware that if you do extend this act, that the General Agreements on Tariffs and Trade operating at Geneva are still under the tent and continue to operate, aren't you?

Mr. BRECKINRIDGE. They would continue to operate whether you extend the act or not.

Senator MALONE. How could they operate if you didn't extend the act?

Mr. BRECKINRIDGE. Well, the General Agreements on Tariffs and Trade, and all other trade agreements that have been negotiated, would continue in effect indefinitely.

Senator MALONE. That is correct, but they wouldn't continue to make more agreements.

Mr. BRECKINRIDGE. No, the President could not make new agreements.

Senator MALONE. Not the President, the President never did make agreements over there. The General Agreements on Tariffs and Trade is an organization of 35 to 50 nations, no one ever really knows exactly how many, and they make these multilateral agreements between nations, and then, of course, with the most-favored-nations clause every nation is entitled to the benefit of whatever reduction in tariffs this nation gives another nation, and they have continued to operate since

1947, and have a multitude of tariffs interwoven multilaterally, haven't they?

Mr. BRECKINRIDGE. Yes, sir.

Senator MALONE. And they are effective?

Mr. BRECKINRIDGE. But an even more important point is that they have a multitude of general regulatory provisions which affect our international trade other than the specific provisions on specific tariff rates.

Senator MALONE. All right. But if we don't extend this act they fall on their face, don't they? They can't make any more agreements or any more regulations?

Mr. BRECKINRIDGE. They would stand in the same category that they stand right now.

Senator MALONE. You would freeze them right where they are?

Mr. BRECKINRIDGE. That is right, they could not make new agreements.

Senator MALONE. That is right.

Mr. BRECKINRIDGE. But all of the old ones would remain in effect, and they have already got provisions on over 90 percent of our trade.

Senator MALONE. And unless the President of the United States serves a notice on the country with which we have made an agreement for cancellation; isn't that true?

Mr. BRECKINRIDGE. That is true. It is not likely he would do that unless the Congress specifically directs it.

Senator MALONE. I don't know that, and neither do you, because the President of the United States—I am not going to try to speak for him, but lots of people do—I believe he is a law-abiding citizen, and if he saw that this Congress did not believe that they should try to continue to transfer their constitutional responsibility to the President of the United States, the Executive, he might change his attitude entirely.

I think he would. So if he didn't change his attitude, at least they can do nothing further to you; is that right, sir?

Mr. BRECKINRIDGE. To most of us they have already done almost the maximum.

Senator MALONE. I want you to answer this question.

If we don't extend this thing you freeze them in their tracks; don't you?

Mr. BRECKINRIDGE. Yes, Senator. But the reason for my comment, if I may elaborate on it, is that many commodities have been cut the full amount authorized and practically the full amount that would be authorized under H. R. 1.

Their principal problem is to get out from under. They are being injured, they are being driven completely out of business, some of them.

But if we merely let the law expire and do nothing else, there will be no remedy for it.

Senator MALONE. You are not recommending this with this amendment of yours, you are just simply saying—well, you would if you could escape from it?

Mr. BRECKINRIDGE. No; the amendment that I am going to propose to the escape clause would be required whether or not you extended the Trade Agreements Act, because the escape clause is permanent legislation, and would continue in effect even if you did not extend

the act and industry could still seek relief under effective, clarified escape clause if the Congress should enact it.

But even if they don't extend the act, if they are going to give relief to domestic industries that are hurt, they would have to strengthen the escape clause.

Senator MALONE. Well, if you strengthen it—the escape clause—and make it mandatory, you would just be preventing the President from hurting you because he thinks it is good for the country.

Mr. BRECKINRIDGE. No; it already hurts. It is giving us a mechanism whereby we can go before the Commission and prove our case and get relief.

Senator MALONE. But he couldn't continue to hurt you if he thinks it is for the good of the country if you had a mandatory clause, if the Tariff Commission after investigation said that the tariff should be raised, then he would have to raise it, that is what you want?

Mr. BRECKINRIDGE. I agree with you, Senator, except that in many cases he has already hurt us as much as he can, and no new agreements would hurt us any more. Our principal concern is escaping from the injury already caused by the negotiations and the tariff cuts already made which would continue.

Senator MALONE. You want this new escape clause passed even if we do not extend the act?

Mr. BRECKINRIDGE. Yes. The amendment to the escape clause has nothing directly to do with whether you extend or do not extend the act.

Senator LONG. Senator Malone, I believe it would be well to let the witness just proceed far enough to see what he is proposing. I understand your views, but I am trying to get the witness' views on it.

Senator MALONE. He has no written statement, and that is the reason I have no compunction in interrupting him.

Senator LONG. If you will let him proceed, we may see what he means.

Senator MALONE. I agree with you.

Mr. BRECKENRIDGE. To restate our position with respect to the escape clause and other safety-valve provisions, we feel that they must be clarified and strengthened, and if they are not, in all honesty, the Congress should repeal them and put the whole responsibility on the President, the State Department, as it actually has been, and not mislead the public and industries into feeling that there is a provision in the law which will provide them relief, when there really is not.

Senator MALONE. Then you would leave no discretion to the President at all. Whatever the Tariff Commission decided in that regard, he would have to do?

Mr. BRECKENRIDGE. That is correct, sir.

We think any finding of the Commission and recommendation for relief should be reported to the Congress, and that it should go into effect within 60 or 90 days, provided Congress does not overrule that with a resolution.

Senator MALONE. You are practically back to the 1930 act except that the Tariff Commission is still handicapped, and can only consider it when the President requires it or asks for it.

Mr. BRECKENRIDGE. No; the Tariff Commission could consider an escape-clause action or an application of an individual party, or upon

their own motion, or at the request of this committee, or at the request of the House Ways and Means Committee.

Senator MALONE. That is your amendment?

Mr. BRECKENRIDGE. No; under the escape clause they could consider it, but the consideration never results in anything.

Senator MALONE. But under your amendment their findings would be mandatory?

Mr. BRECKENRIDGE. Right.

I would like to devote the balance of my statement to one of the principal reasons we believe that the escape clause has been ineffective.

That is the interpretation that the Tariff Commission has placed upon the words "injury to domestic industry producing like or directly competitive products."

When Congress enacted that into law in 1951, we feel that Congress intended to protect the labor, management, and capital devoted to producing the product on which a concession had been made and which was being imported and causing injury.

That is the very heart of the escape clause, injury to domestic industry.

Injury to what? Well, now by interpretation the Tariff Commission over the past years has interpreted that in such a way that if a group of companies producing a given product—pins in this case—are making a profit on other products, there is no injury even though they may be forced out of business entirely in the product in question.

To illustrate the problem—

Senator MALONE. Right at that point, that is not the only thing we are considering. You are making an overall profit, and if it should be of greater benefit to the country in the judgment of the President to allow the pins and needles to come in here, the fasteners, why, then without regard to the fact that you are making a profit or not, he can still let it come in under the present condition, can't he?

Mr. BRECKENRIDGE. The President has that authority. I don't believe the Tariff Commission has that authority under the law. I think they may sometimes usurp it.

Senator MALONE. The President has it?

Mr. BRECKENRIDGE. The President has it. I don't believe the Tariff Commission has it. They are supposed to make a finding of fact as to whether imports are causing injury.

Senator MALONE. But he may or may not take it, that is true.

Mr. BRECKENRIDGE. Yes, sir. And he has in fact turned most of them down. I think in the ones he has approved, relief would have been granted whether here had been any escape clause or not; I think they were granted for certain defense or other compelling reasons that have nothing to do with the escape clause or the extent of the injury.

Senator MALONE. He is entitled to do that under the act; isn't that right?

Mr. BRECKENRIDGE. That is right.

To illustrate the significance and importance of this problem of what did Congress mean by "domestic industry" I would like to read from a minority decision by the present Chairman of the Commission, Borsard, which was rendered in the wood-screw case in March of 1953.

In that case there were only 4 Commissioners participating, 3 Commissioners found that there was no injury, and considered the profit

of the company's employment, and so forth, with respect to other commodities.

Commissioner Brossard dissented and found that there was injury and recommended relief, and commented on this question of the meaning of "domestic industry."

Senator LONG. I am going to be forced to interrupt the witness at this point.

There is a record vote, Senator Malone.

I will recess the committee until 6:30.

Senator MALONE. Could I ask, whether it is the intention of the committee to hear all the witnesses here, or to complete this witness' testimony and start again in the morning?

Senator LONG. I believe it is the desire of the chairman that we try to keep the schedule of witnesses as originally made, because there are other witnesses scheduled for tomorrow morning.

Senator MALONE. I would merely say, Mr. Chairman, that we have too long a list of witnesses, and if we try to force all of them through it is going to mean a night session of the committee.

Senator LONG. We will be in recess for the next half hour.

(Recess.)

Senator LONG. The committee will come to order.

Mr. Breckinridge, will you continue?

MR. BRECKINRIDGE. Mr. Chairman, I was just beginning to read from Chairman Brossard's minority opinion in the wood-screw case. This begins at page 16 of the mimeographed copy of the Commission's report:

The domestic industry in this case is the group of domestic productive units that make wood screws of iron or steel. Such wood screws are the only product under consideration in this investigation. It is the "like or directly competitive domestic product" and the only one domestic product which the law indicates is to be considered in this case.

All that may be properly considered under the law and under the orders in this investigation are those factors which are directly and inherently part of the operations in the production and sale of wood screws of iron or steel.

If, therefore, the domestic production and sale of wood screws of iron or steel in the United States market are being seriously and adversely affected as determined by the facts with respect to the criteria of the escape-clause provision (sec. 7 (b)) of the Trade Agreements Extension Act of 1951 cited above, it would follow that such a finding should be made that the "domestic industry" producing such wood screws is being seriously injured.

Were this phrase "domestic industry" to be interpreted as including the profits on all other products such as rivets, handtools and builders' hardware, and so on, that might be produced by these same concerns that produce wood screws, as long as the companies, though losing money on wood screws of iron or steel, were making such other products at a profit and the company was making an overall profit or could find some other alternative profit, few claims of injury would be allowed as a result of escape-clause investigations. Under such an interpretation, a great part of domestic production, article by article, might be forced to stop by the destructive competition of imports and, if the manufacturing companies turned to importing and made good profits at it, they would be adjudged to be uninjured as a "domestic industry." Such an interpretation of this "domestic industry" phrase in the escape-clause law would practically nullify the escape-clause provision in trade agreements as a possible remedy of serious injury and in effect would almost, if not entirely, void the escape-clause provisions of the Trade Agreements Extension Act.

This is clearly recognized when it is recalled that perhaps 90 percent of all manufacturers and at least 90 percent of the farmers of the country produce not just a single product but a variety of products, sometimes many different articles in the same plant and, in the case of farmers, on the same farm and even on the same plot of ground in different years, as well as different kinds

of livestock, such as dairy cows, chickens, ducks, geese, horses, sheep, and beef cattle. Such an interpretation would say to farmers: "No relief for you from excessive imports of butter, cheese, wheat, wool, and so on, because you are making, or can make, satisfactory overall profits on other products of your business, such as whole milk or beef cattle or sheep or wheat or sugarbeet, or other crops of livestock." No relief would be granted for any of the thousands of individual chemicals as long as the chemical industry was making satisfactory overall profits. The same with textiles, pottery, glass, steel, woodworking, machinery, machine tool, metal fastener, and many other industries.

To thus permit imports to take over the United States market one product at a time, because the domestic producers may have found or may be able to find alternative products that they can produce at a profit, may result in allowing imports to take over the domestic market for many articles produced in the United States if imports of such articles are able to enter in constantly increasing quantities over the lowered concession tariff rates and no relief under the escape clause is available. "Divide and conquer" is an old policy and an effective one if permitted to operate.

Members of the Commission differ—

I would like to call particular attention to this—

Members of the Commission differ in their interpretation of this phrase in the law. It, therefore, should be clarified and made much more specific by definition or otherwise so that the objectives of the Congress and the President will be accomplished under the law. Unless this is done, domestic producers will be discouraged from hoping for relief from serious injury from excessive imports and the escape clause may become a sham and a delusion.

It is our contention that in line with previous decisions and the more recent decisions of the Commission that what Commissioner Brossard has predicted has actually come to pass, that by that interpretation, and others which I won't go into, the escape clause has been rendered completely ineffective, and even where the Commission has found injury the President has slapped them on the hand and said, "This is not really injury to the industry as meant in the escape clause of 1951."

I would like to supplement that with the specific experience we had in the pin case, which followed this case.

In the pin case, there are eight manufacturers of pins. All but one of them produce other, but unrelated and varying, products in each company. Their production of pins, if you take all eight companies, the total of business is a relatively small percentage of the total business. Some of the companies are large, such as Scovill Manufacturing Co., which is one of the Big Four brass companies in the United States, others are smaller, and it runs down to small companies, such as the Union Pin Co., which produces nothing but pins.

Under this interpretation which the Commission has followed, if General Motors should buy out the Union Pin Co., then General Motors and all their business becomes part of the domestic industry producing pins. That is how ridiculous it is. If General Motors had bought out the Union Pin Co., then in determining an escape-clause case with respect to pins, they would have to inquire under this interpretation into the total business of General Motors.

That is what they did with the companies existing, and it doesn't seem that Congress intended "domestic industry" to mean one thing if by happenstance the producers are producing something else, and another thing if the producers produced only that commodity.

Senator MALONE. Then, under that conclusion, if that happened to be another pin company that could only produce pins, it would be a little rough on their future, wouldn't it?

Mr. BRECKINRIDGE. It already has been. This one company had—

Senator MALONE. I mean, they would have to go out of business on that theory, because one pin manufacturer could continue, because they have an overall profit on all their products?

Mr. BRECKINRIDGE. This one pin company has been forced to convert from producing pins to importing and distributing imported pins, the small business that has been years in the pin business, and rather than go out of the pin business and do nothing, the pin business is all he knows; if he can't produce them at a profit he will import them, because this situation forces him to, not because he wants to.

Senator MALONE. Now, after you have followed that objective for a considerable time, and many other industries, several hundred other industries, go the same route and they become distributors of a product and not producers, how could you get capital to go into a business, to go back into the producing business, a few years hence, under the situation as it now stands?

Mr. BRECKINRIDGE. You couldn't, Senator, and that is exactly what is happening. These companies—for the most part, they are relatively small companies—if they are in a business, if they are going to stay in that business and protect their distribution system, which in itself is a big investment, they have got to quit producing and import and distribute to the same customers.

That is happening in the pin business, it is happening in bicycles, it is happening in wood screws; those companies which have a nationwide distribution setup, they are not going to go out of business entirely; they say: "If I can't produce them at a profit I will import them." And the Commission says, "That is part of the industry, you are not injured, because you are importing instead of producing, and making a profit."

Senator MALONE. Isn't that a logical conclusion as to what the act intended? In other words, we are buying a product, the dollars are going abroad, and there is a political situation there of making friends and influencing people and, according to Secretary Dulles' testimony, isn't that is what is intended?

Mr. BRECKINRIDGE. I believe that is what some people in the State Department and other departments in both administrations intended. I am not going to believe that Congress intended that yet.

Senator MALONE. What you are actually doing is imputing to Congress a lack of understanding of the things they passed?

Mr. BRECKINRIDGE. I actually believe that there is a lack of understanding among the Senators and the Congressmen as to how this has actually been administered by the State Department and within the Tariff Commission.

Senator MALONE. Now, you come back to how it is administered, when it is the way it is written.

Mr. BRECKINRIDGE. I still believe that many of the Senators and many of the Congressmen sincerely intended the escape clause to work effectively—but it has not.

What I am trying to point out is that it hasn't worked, and it won't work unless clarified and strengthened.

Senator MALONE. You are being kind to us, I am sure, but a majority of them could not have understood it that way, because the thing is so clear. Now, let's face it.

In 1934 the act was passed without any escape clause. What some people tried to do in putting in an escape clause—I am not sure they

all tried to protect the public, but at least they tried to put something in it that would make it appear that they were trying to protect the public.

Mr. BRECKINRIDGE. May I comment on that?

Senator MALONE. Yes.

Mr. BRECKINRIDGE. The escape clause came in, or the escape-clause theory, in 1940, when the State Department started inserting an escape clause in their new bilateral agreements.

Senator MALONE. They didn't start inserting them, the escape clause, in bilateral agreements; Congress took note of it.

Mr. BRECKINRIDGE. Congress didn't take official note of it until 1951. In the meantime, there were several small agreements, and in the agreement with Mexico in 1953 there was an escape clause comparable to the one that was included in the General Agreements on Tariffs and Trade, negotiated in 1947. And the President set up a procedure under Executive order for the Commission to administer that. But it was so ineffective, and the Commission wouldn't even grant hearing on the cases, and finally Congress said: "We have got to write an escape clause in the law and write the criterion for administering it."

I believe the Congress intended it to work. But the people who administered it were not sympathetic with the intended objective and went right on with the same philosophy. I believe the administrative people who put the escape clause in there, in the first place, did not intend it to be effective and had no intention of its ever being really used effectively by domestic industry, but did it to take off the pressure of industry, and said: "You don't need to worry about our mistakes, because we have an escape clause." But it never worked.

Senator MALONE. And then Congress wrote it with a loophole for the same reason.

Mr. BRECKINRIDGE. I can't go along with that. I still believe that Congress intended it to be effective.

Senator MALONE. You shouldn't. But I am sitting there on the floor and hearing the debate.

Now, no one could believe in reading this bill through, this act, that anyone but the President is the sole judge as to whether or not the escape clause or the peril point is used. And the peril point is even more ineffective, because if the State Department adopted what the Tariff Commission finds as a peril point, that is, the point below which if the tariff goes it injures the industry, and used it—which they did not do very often—they have a 3-year agreement, and therefore any escape that the other nation uses that we have also enumerated as manipulating currencies and having exchange permits or import permits, there is nothing they can do about it, is there, in the 3-year period?

Mr. BRECKINRIDGE. Well, yes; the escape clause can become operative immediately—

Senator MALONE. I am saying that they can't change that agreement except through the escape clause which is, in itself, ineffective.

Mr. BRECKINRIDGE. That is right. But I believe Congress can so amend it to make it effective—I hope it will amend it.

Senator MALONE. Of course it could. But when you amend it so that it could be brought up expeditiously and mandatorily, there is no longer any use for the 1934 Trade Agreements Act. So why don't we say: "Let's pull all these trick organizations out of our busi-

ness by withdrawing our markets from the international poker game and going back to a basis of fair and reasonable competition?"—which is the thing you are trying to say you want an escape on anyway.

This is the first move, the first logical move, to get on a fair and competitive basis, allowing this act to expire isn't it?

Mr. BRECKINRIDGE. Senator, allowing the act to expire, I still contend, would not accomplish it. Even section 336, which you referred to, and on which I agree with you, section 336 would not become operative on any commodity that is in a trade agreement.

Senator MALONE. That is right.

Mr. BRECKINRIDGE. And the items in trade agreements cover over 90 percent of the items that are of any significance in foreign trade.

Senator MALONE. I would like very much to see that tried on the President—I am sure he would come through—I am sure that if the Congress of the United States wants to revert to the Constitution of the United States on the basis of fair and reasonable competition, adjusting these flexible import fees, having the Tariff Commission, their own agent, do it, I don't believe he would be hard to convince in canceling these agreements.

Mr. BRECKINRIDGE. You have more confidence in the President than I do with respect to this particular problem.

Senator MALONE. I have a lot of confidence in him, because as long as Congressmen have voted for this thing for 20 years, both Republicans and Democrats, why should he believe that they want it any different?

Mr. BRECKINRIDGE. If you would just let the act expire, I don't believe he would interpret it that way.

Senator MALONE. There would be no other interpretation. If we wanted it, we would extend it.

Mr. BRECKINRIDGE. If you want to cancel the agreements and go back to the section 336 flexible tariff, I think you would have to legislatively nullify the trade agreements.

Senator MALONE. Then I say this to you: If there is one thing which would make this Congress take this up and bang it in the nose, it is the President's refusal to cancel a trade agreement that was actually doing harm.

Mr. BRECKINRIDGE. It is my position, Senator, that even if you let the act expire, you still must restore section 336 by striking out the second sentence of section 2 of the Trade Agreements Act of 1934, and you would have to amend the escape clause to provide relief for those industries already in a trade agreement.

Senator MALONE. Well, I understand exactly what you are saying, and that would be one method of doing it. But if you just allow this to expire, just sit still and pass nothing, then anything upon which there are no trade agreements reverts to the Tariff Commission. Do you agree with that?

Mr. BRECKINRIDGE. I don't think it does revert to the Tariff Commission—

Senator MALONE. On which there is—

Mr. BRECKINRIDGE (continuing). But there would be trade agreements even if you let it expire. And section 336 wouldn't apply to 95 percent of the commodities.

Senator MALONE. Wait a minute. I am talking about that 5 percent, or whatever it is. In other words, where there are no trade

agreements on midnight, 1 minute after midnight of June 12 of this year, if we do not pass anything here, then they revert, those products revert, to the Tariff Commission?

Mr. BRECKINRIDGE. Those 5 percent.

Senator MALONE. Whatever there is; if it is 2 percent, or 1 percent, or 10 percent, whatever it is, you agree with that?

Mr. BRECKINRIDGE. Yes, sir.

Senator MALONE. All right.

Then if the President of the United States shall serve notice upon the country with which the trade agreement was made on pins, we will say, then that reverts within a certain time, whatever the specified time is; do you agree with that?

Mr. BRECKINRIDGE. That reverts, so it is eligible for relief under section 336.

Senator MALONE. Well, look, all I am saying is that it reverts to the Tariff Commission on the basis of fair and reasonable competition.

Mr. BRECKINRIDGE. No, sir, Senator. In my opinion, that does not happen, because section 336 is again merely a mechanism by which the Tariff Commission can determine the difference between foreign and domestic costs—

Senator MALONE. That is right. But if this thing expires, there is no other law except where there are trade agreements made, and the provision is made so the President can cancel those trade agreements, and when he does they revert, do they not, to the Tariff Commission?

Mr. BRECKINRIDGE. No, sir. Even under section 336 the President can overrule the Tariff Commission, the same as he can under the escape clause.

Senator MALONE. No; he can't. He can overrule it, but he can't consider the factor of international affairs and change it.

Mr. BRECKINRIDGE. He can refuse to put it into effect.

Senator MALONE. Yes. But don't tell me the President of the United States would refuse to put it into effect, because he can't manipulate it.

Mr. BRECKINRIDGE. He has done so. We had a case in the early part of the 1930's on fluor spar, and I believe the Commission found—

Senator MALONE. But you don't know—

Mr. BRECKINRIDGE (continuing). A difference in cost of production, and they recommended an increase, and the President did nothing; he didn't even publish the report.

Senator MALONE. I just don't talk plain, I guess.

I said he could refuse to do nothing, to do anything, but he can't change their recommendations and put a change in effect. In other words, if they reported that they want a certain tariff under fair and reasonable competition, under section 336, and recommended to the President, he can refuse to take action, but he can't cut it in half, can he?

Mr. BRECKINRIDGE. I don't believe he would take action, and still we get no relief.

Senator MALONE. Will you answer my question: He can't cut it in half and put the half in effect, can he?

Mr. BRECKINRIDGE. It can be done under section 336.

Senator MALONE. It never was done, was it, to your knowledge? And I don't believe it can be done.

Mr. BRECKINRIDGE. Yes. Under section 336 he can lower a tariff by 50 percent.

Senator MALONE. The Tariff Commission; not the President?

Mr. BRECKINRIDGE. Yes, sir; the President.

Senator MALONE. Wait a minute.

If the Tariff Commission recommends a certain amount to the President, he can refuse to put that into effect, but he can't cut it in two or lower it without consulting them, can he?

Mr. BRECKINRIDGE. That is right.

Senator MALONE. That is all I asked you.

Mr. BRECKINRIDGE. Let me explain what I meant.

Senator MALONE. I know you didn't understand me, but I want the record clear, that the Tariff Commission, first, under this section, has no alternative but to do it on the basis of fair and reasonable competition, that difference in cost; that is true, isn't it? They have no factors they can consider except cost?

Mr. BRECKINRIDGE. And whether they are like or similar articles.

Senator MALONE. My friend, we can both read. That is what the law says: that an article, that same article or a like article in the competitive country, but when they are deciding it, they can only do it on one principle, and that is laid down by Congress in that act, and that is on the basis of a difference in cost, isn't it?

Mr. BRECKINRIDGE. Under section 336, yes.

Senator MALONE. Now, let's simplify this thing. That is what is the matter with this 1934 act, there is too much language, and it means nothing. Now, if they then make that recommendation on that basis of difference of cost, and they recommend that amount on any article to the President, he can refuse to take action, but he can't say, "I will cut it 10 percent and put that in," can he?

Mr. BRECKINRIDGE. No, he can't.

Senator MALONE. That is all I have been asking you.

Mr. BRECKINRIDGE. My only point is that even if you don't extend the law, section 336 still will not give relief to the industries that need relief.

Senator MALONE. If the President wants to do it, if he falls into the spirit of Congress, and Congress refuses to extend this act, then he can do it if he wants to, couldn't he. He could cancel any agreement that he wants to with a foreign nation by merely a communication to them, and after a certain limited time it reverts, and then the Tariff Commission can do exactly as they have been doing for years, they can make that determination on the basis of the only principle Congress laid down, and that is the difference in cost, and recommend it as a duty. The President can then do one of two things: he can refuse to recognize it, or he can put it into effect as they recommend it. Isn't that true?

Mr. BRECKINRIDGE. Yes, sir.

Senator MALONE. All right.

Mr. BRECKINRIDGE. If we were going to go to that I would want to amend section 336.

Senator MALONE. Well, that is another day. I think what you would have to do is give them more than a 50 percent latitude, because over a period of 20 years we have more than cut in half the value of the money, which of course you know. You have been a student of

this thing. And you know that the devaluation loan cuts more than in half the effectiveness of any fixed tariff, not ad valorem, but fixed tariff, that is true, isn't it?

Mr. BRECKINRIDGE. Yes, sir.

Senator MALONE. So that the 50 percent leeway that they have, considering also that many of these products have been cut 50 percent, and then another 50, which makes 75 percent, the chances are the Congress has got to amend that section 336. It is a simple matter once you are rid of this thing. But if you insist on extending this monstrosity—

Mr. BRECKINRIDGE. I don't Senator.

Senator MALONE. Well, you do if you are going to amend it.

Mr. BRECKINRIDGE. No, you can amend the escape clause.

Senator MALONE. Why do you think it is necessary to amend the thing if the way out of it really is to back out of the whole thing? It would be very easy for Congress, then, instead of trying to pass a thing like this—and I don't object to its passage, if we didn't extend the other—but why go to all the trouble when all you have to do is take charge of the original setup.

Mr. BRECKINRIDGE. Senator, basically we agree. But I must come back to explain our position—

Senator MALONE. I understand.

Mr. BRECKINRIDGE. That merely letting the act expire won't do it. We have got to do something. And I think we have got to do it at this session, something to permit industries to obtain relief. And I think one way to do it, until the President decides—which is doubtful—to cancel the agreements—is for Congress to clarify and strengthen its own escape clause, which it intended to be effective, naturally.

Senator MALONE. I am coming to the conclusion that I have more confidence in the President of the United States than these industries do. The only thing is, he has been led to believe for over 22 years that both Republicans and Democrats believe in this thing because they voted for it. Now, how can you blame him for taking it seriously and carrying it out, in accordance with Mr. Dulles, who is also a Republican, advising him how to do it? If you let this thing expire the President of the United States will talk turkey with you.

Mr. BRECKINRIDGE. I think that the President has known what he has done when he has turned down these cases where the Commission has found injury. I think he recognized, as Secretary Dulles has, that it has caused injuries to those industries.

Senator MALONE. I think Secretary Dulles is running it all—or not Dulles, the second or third echelon is running it.

Mr. BRECKINRIDGE. I don't think ignorance is any excuse. I think Congress should say they intend this to be effective and make it effective by making the decisions final until Congress overrules it.

Senator MALONE. You are absolutely right. It is Congress' responsibility, but they shifted it because there was a lot of trouble. Some of them thought, I am sure, that there would be less trouble in answering their mail by shifting it to the Executive and having nothing to do with it. As a matter of fact, I have had that said to me before I came to the Senate. That doesn't excuse them from the responsibility of doing the job under the Constitution. And I think the people of this country, once they realize what Congress is doing and the full import of it, will mighty soon see to it that they do it.

Mr. BRECKINRIDGE. I think Congress should be fully cognizant of it now, in view of Secretary Dulles' testimony, and I am confident that this Congress will do something to provide relief for industries.

Senator MALONE. My friend, witness after witness has come before this committee in the last 2 weeks, and the witnesses didn't know it, they didn't know what would happen if this expired, they didn't know what happened before they passed this act, because all they want to do is come in and duck their heads and see if they couldn't get some amendments to this bill to let them live 1 more year.

Mr. BRECKINRIDGE. We think we know what will happen, Senator.

Senator MALONE. You go ahead. I think you are making a good witness, but I was arguing with you because I think you do understand it, and I wanted to get the record straight.

Mr. BRECKINRIDGE. Mr. Chairman, to go ahead with our experience in the pin case, I outlined that the eight companies producing pins also produce other products. Now, we had originally filed an application for relief under the escape clause in December of 1952, to the Commission—we submitted what we considered under the escape clause in the law all the information that was necessary to reach a conclusion. The Commission came back to us with a letter and said that in effect they would consider our application as not properly filed unless we submitted additional information with respect to the production of each company on unrelated items such as automotive parts, window chains, and many others that these companies produced. Therefore, we withdraw the application and did nothing.

Later, in September of 1953, we reapplied. And at that time the Commission investigated, ordered investigation No. 28 with respect to straight pins, and investigation No. 29 with respect to the safety-pin industry. After the investigations had been ordered we wrote the Commission a letter stating our position, and I would like to insert this letter into the record at this point. And at the present time I would merely like to read three brief paragraphs from it.

Senator LONG. The letter will be inserted.

(The letter referred to follows:)

POPE BALLARD & LOOS,
Washington 4, D. C., October 31, 1953.

Re investigation No. 28 (straight-pin industry) and investigation No. 29 (safety-pin industry)

Mr. DONN N. BENT,

*Secretary, United States Tariff Commission,
Washington 25, D. C.*

DEAR MR. BENT: We thank you for your letters of September 25 and October 30, 1953, advising that the Commission has, under sections 6 and 7 of the Trade Agreements Extension Act of 1951, instituted investigation No. 28 with respect to the straight (common) pin industry and investigation No. 29 with respect to the safety-pin industry. We acknowledge also the copies of the public notices of these investigations issued by the Commission.

The applicants are gratified that the Commission has instituted these two investigations. We are instructed to inform the Commission that the applicants will submit to the Commission or make available to its representatives any requested information in their possession concerning imports or their domestic employment, production, costs, sales, and profits with respect to straight pins or safety pins, the two commodities with which the announced investigations deal. All books and records of each applicant dealing directly with these two commodities (or indirectly to such extent as necessary for allocation of overhead costs or similar items) will be made available for inspection to any authorized representative of the Commission.

Your letters of September 25 and October 30 comment upon the area and character of evidence to be called for and considered in connection with each investigation.

As indicated in our letter of January 15, 1953, it is our view that to such extent as the information indicated as desirable in paragraphs (2), (3), and (5) of section 207.3 (e) of the Commission's rules of practice and procedure, and referred to in your letters, relates to the production or sales of commodities other than straight pins or safety pins, or to other sources of income, it is not material or relevant to the investigation of the straight-pin industry or the investigation of the safety-pin industry within the meaning of sections 6 and 7 of the Trade Agreements Extension Act of 1951. The applicants have not requested nor has the Commission ordered an investigation of the effect of imports upon applicants' production or sales of commodities other than straight pins or safety pins. Applicants do not presently claim that their profits from production of other commodities or that their income from other sources are being adversely threatened by imports.

It is our position that an applicant's production of other commodities or its income from other sources does not constitute a part of the domestic industry producing straight pins or a part of the domestic industry producing safety pins. Also, it is our position that applicants producing straight pins only are not a part of the domestic industry producing safety pins and that the applicants producing safety pins only are not a part of the domestic industry producing straight pins. The two are separate and distinct industries and must stand on their own merits or demerits.

In past instances, as indicated by your letter, members of the Commission have taken a view different from that to which we subscribe but this action on the part of the Commission has not been unanimous. We wish to earnestly urge upon the Commission a further consideration of all the factors involved in this question. For this reason, we shall not voluntarily supply information beyond the boundaries indicated herein. We hope that upon consideration the Commission will uphold our view. However, if the Commission concludes that a subpoena or subpoenas are to be issued to compel the production of this data, we shall promptly comply with such order.

We wish to again emphasize the fact that all of the applicants, in each case, desire to cooperate fully with the Commission and its staff in supplying any and all requested information from their records dealing directly with their production and sales of straight pins or safety pins, as the case may be.

In order to facilitate their full cooperation, the applicants would like to suggest an informal conference at the Commission at the earliest convenient time. It is felt that such an informal conference would facilitate a determination of the type of information with respect to safety pins and straight pins desired by the Commission and would enable the applicants to make their own preparations for supplying such information as fully and promptly as possible. At such a conference the applicants would also like to discuss the possibility of a change in the hearing dates the Commission has announced.

Very truly yours,

JOHN BRECKINRIDGE.

Mr. BRECKINRIDGE (reading) :

The applicants are gratified that the Commission has instituted these two investigations. We are instructed to inform the Commission that the applicants will submit to requested information in their possession concerning imports or their domestic employment, production, costs, sales and profits with respect to straight pins or safety pins, the two commodities with which the announced investigations deal. All books and records of each applicant dealing directly with these two commodities (or indirectly to such extent as necessary for allocation of overhead costs or similar items) will be made available for inspection to any authorized representative of the Commission.

* * * * *

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straight pins. The two are separate and distinct industries and must stand on their own merits or demerits.

In past instances, as indicated by your letter, members of the Commission have taken a view different from that to which we subscribe but this action on the part of the Commission has not been unanimous. We wish to earnestly urge upon the Commission a further consideration of all of the factors involved in this question. For this reason, we shall not voluntarily supply information beyond the boundaries indicated herein. We hope that upon consideration the Commission will uphold our view. However, if the Commission concludes that a subpoena or subpoenas are to be issued to compel the production of this data, we shall promptly comply with such order.

Senator MALONE. Right at that point, if you would be interested in what Mr. Dulles said about it, on a question propounded to the Secretary. The question:

Assuming that an industry would be seriously injured by imports, should the injury be allowed to occur if it has an international relations problem where the United States might be injured as a whole, if the importations were not permitted? Do you believe that under such circumstances an injury could be imposed upon an industry?

Secretary Dulles said:

I don't think it is possible to answer those questions in terms of generalizations. It depends upon the degree of injury, whether it is serious injury—

and I might point out, who is going to determine whether the injury is serious or not? A serious injury to an industry lots of times is merely the top 1 percent of the business, that is where your profit is, or 2 percent of sales.

He goes on to say:

whether it is serious injury, whether it is minor injury, whether it affects industry as a whole or minor segments of an industry, and how compelling are the international reasons which call for the action.

If these things are all to be considered, they are all part of the whole which has to be balanced, and I do not believe they can adequately be balanced except by someone like the President who is in a central position to respond both to the domestic and international aspects of the program.

Now, that ought to be very clear, shouldn't it?

Mr. BRECKINRIDGE. I think it is very clear, and we are glad to have that clarification, because it agrees with the manner in which that actually has been administered.

Senator MALONE. Now, Mr. Dulles worked under Mr. Acheson for a year or two, he knows all these second and third echelons that handled these programs to start with. If any man is in a position to know what they passed the act for in the first place, he certainly should be the man, shouldn't he?

Mr. BRECKINRIDGE. He certainly knows how it has been administered, and I think he made a very good statement of it.

Senator MALONE. Well, he agrees with it, he said so, sitting where you are.

Mr. BRECKINRIDGE. And I think that is why Congress should act to enforce its will.

Senator MALONE. I am trying to say this is not new. For 8 long years I have stood on the Senate floor and said the same thing, that that was designed to do this same thing. I am not the only one that has said that or argued that way. So to tell me now that Senators and Congressmen don't understand what that act meant is to, well, it is to insult their intelligence. They have read the act, they heard it debated, of course they knew what it was going to do.

Mr. BRECKINRIDGE. We hope the light is breaking through.

Senator MALONE. There is no light needed to break through. The light might break through—they may find out how many people don't like it, that may be the light. But I can't believe that a United States Senator didn't understand what the act said, after all the debate on it.

Mr. BRECKINRIDGE. I believe some of them might not have realized how it was being administered—

Senator MALONE. Or a Congressman either. Well, of course, anybody that thinks, anybody that knows what the act means, knows that you can sacrifice a part of an industry for the benefit of another, or for the benefit of no one in the United States, except on a national policy of gaining friends and wetting down the people over there in Europe. You could do this thing with no increased exports at all, just increased imports to help a nation on a political setup, like Italy, or any other nation. So, of course, the Congressmen and the Senators understood it. No one could be elected to office that couldn't understand what this act said.

Now, whether they might decide that it is not what the public wants—I agree with you that far. But it is impossible to say to me that 1 of those 96 Senators didn't know what he voted for—and know too that under the peril point and the escape clause that it was up to the President of the United States, his sole judgment, and no other, as to whether we accepted the word of the Tariff Commission or not.

Mr. BRECKINRIDGE. We are hopeful that after having seen it operate and seen the effect it has had on domestic industries that there may be some difference in the votes.

Senator MALONE. After having seen it operate—it has put many a business clear out of the picture for the last 10 or 15 years, and the only thing that has put some of them back in the picture has been wars, rumors of war, or preparations for war, that is the only thing in God's world that has ever kept them going.

Mr. BRECKINRIDGE. I agree with you on that, Senator.

Senator LONG. I am anxious to know what the witness is recommending. I have been listening to him for 1 hour and 10 minutes. I am going to ask him to finish his statement, and then Senators may ask any questions they wish.

Senator MALONE. I would like to know, too. I am beginning to think that it is secret.

Mr. BRECKINRIDGE. I assure you it is not, Senator.

Following the letter I read which stated our position before the Tariff Commission, I would like to refer the committee to a detailed statement which we made to the Commission concerning the legislative history of what we considered the legislative meaning of the words "domestic industry," as that has been used repeatedly by the Congress in various tariff acts going back as far as 1916, and in other acts, such as the Anti-Dumping Act of 1921, the unfair practices provisions of the Tariff Act of 1930, which is section 337. We believe that that history and the background clearly indicates that when Congress has referred to domestic industries they have referred to a product industry, to the labor and capital producing the product on which they had specifically provided the tariff.

I don't want to insert that in the record, because it is rather bulky, but I would like to give it to the committee for study. I think that

this question of definition of "domestic industry" is so important that it deserves very careful consideration.

Senator LONG. It will be received for the committee's files.

Mr. BRECKENRIDGE. Also, in order for the staff to make an independent judgment as to the information which we did submit for the Commission, and whether or not that was adequate on which to make a determination, whether it did fall within the meaning of the Trade Agreements Act of 1951, I would like to submit a copy of a consolidated industry report on safety pins which we submitted to the Commission, and a copy of the brief which I submitted to the Commission, also a copy of the same two documents with respect to straight pins.

From a study of those, I think you will find that the industry submitted to the Commission extremely complete and comprehensive data with respect to the safety pins and straight pins, and any related products that were produced by the same machinery and the same labor.

It was the conclusion of the Commission passing on that, the Commission did continue with the investigation, although they knew our positions, that we would not voluntarily submit information with respect to other products, our position being such that if the decision had to be made on the basis of the company's production of unrelated items, that we would prefer not to have the investigation made.

They continued with the hearings, with the full 9 months of investigation allowed under the act. They eventually terminated the investigation without a finding on the merits, on the ground that we had not submitted this other information on other products.

I would like to read briefly from the Tariff Commission's decision, which was rendered June 22, 1954, with respect to both investigations.

After reviewing the fact that we would not submit information with respect to unrelated production, the Commission, at page 9, stated the question to be this:

The question is, Did Congress in enacting the Trade Agreements Extension Act of 1951, which included the present statutory escape-clause procedure, disapprove of the Commission's practice of inquiring, in escape-clause investigations, into the operations of domestic producers relating to their production of articles other than those like or directly competitive with the imported article complained of? Apparently it did not. In any event, the Commission did not so conclude. Congress, in enacting the Extension Act of 1951, had adopted in section 7 the phrase "domestic industry producing like or directly competitive products" which in substance had been used in Executive Order 10082, and accordingly the Commission could not consider that any change in its method of investigation, insofar as the type of information which it considered pertinent was considered, was warranted. The Commission continued its rules relating to escape-clause investigations, changing them only in certain respects not pertinent here, and retained the indicia of the type of information which it considered relevant to escape-clause investigations substantially as previously indicated in its rules.

Now, what the Commission says is that they had an escape-clause procedure and that when Congress enacted the escape clause in its act in 1951, they considered it to require no change in their procedure and no change in their ruling.

Now, then, the Commission goes ahead to explain that they had issued other executive orders concerning the administration of the escape clause and that Congress knew what those procedures and rules

were when they extended the act in 1953 and other years, and they come to this conclusion :

In the Commission's opinion, it is abundantly clear from the foregoing recital of the history of the escape-clause procedure that, in enacting the statutory escape-clause procedure in 1951 and in reviewing the administration of the escape-clause procedure in 1953, Congress was cognizant of the Commission's methods of investigation and was aware of the types of information which the Commission considered pertinent to escape-clause investigations, but nevertheless took no legislative action in disapproval of the Commission's rules relating to escape-clause investigations or to preclude the Commission from continuing to obtain the same type of information in connection with escape-clause investigations as it had obtained since the inception of the escape-clause procedure under the original executive order

which went back well before the enactment in 1951.

The position of the applicants in the current investigation is, therefore, that despite their failure to persuade the Congress to legislate instructions to the Commission in accordance with their theory of the proper scope of an escape-clause investigation, the Commission should nevertheless follow their theory because that is, in their view, what Congress intended.

Then the Commission finally concluded :

In the light of the legal implication of legislative approval of the Commission's long and continuous practice of calling for and obtaining information of the type which the applicants in the instant cases refuse to furnish, it cannot be held that such information is not reasonably relevant to the investigations.

Now, the only thing that the Commission has relied on to support their interpretation is the fact that Congress has not changed the law, that Congress was aware of their rulings and took no steps to change the law.

What their ruling amounted to in the safety pin case is that the entire American production of safety pins and related articles produced by the same labor or on the same machines did not constitute an industry within the meaning of the escape clause in the Trade Agreements Act of 1951, and therefore that they were not entitled to relief.

Now, the reason that we handled the pin case in the way we did was to bring the issue to a clear-cut issue. The Commission has never defined "domestic industry" or what you must do to show injury.

We felt that by proceeding in this manner we could get a decision, that either they could make a decision on the facts of these products alone or they would consider that as not a domestic industry.

They ruled that they did not consider it a domestic industry and it was not entitled to relief, and they made no conclusion as to the merits of the case.

Now, we feel that puts it squarely up to the Congress, as to whether they did intend in the escape clause to provide relief for or protection for the American production of the products on which the tariff had been provided and on which the concession had been made.

We believe that the Congress did, but we feel that when it takes any action on this bill or any other action at this session with respect to tariff and foreign trade, that the Congress should clarify and make clear what they intended, that they did intend to protect the domestic production of those products. To do so Congress must define "domestic industry" or take the words out and substitute something else that will make their intent clear.

If the Congress should extend the act, which we hope they will not, without any clarification and strengthening of the escape clause, it

will be interpreted by the Tariff Commission and by the President and the rest of the administration as congressional approval of their interpretation of "domestic industry" and of the manner in which they have administered the act.

Now, if that should be done, we feel there that it would be much better to repeal the escape clause so that it is not held out as a relief measure for domestic industry when it actually is not, because, as Chairman Brossard has pointed out, with most of our manufacturing concerns and farmers producing various products, they could be entirely eliminated in their production of many products. If they are still in business making a profit, they would not be entitled to relief and they would not be considered as a domestic industry under the escape clause under the Tariff Commission interpretation.

Another factor is that their interpretation of "domestic industry" does not recognize any right or entitlement to relief on the part of labor.

Take the safety-pin case as an example. The eight companies producing safety pins and straight pins could be forced out of business entirely and the long-trained, skilled personnel engaged in producing those pins could be out of a job entirely or forced to take jobs with lesser pay, in unskilled positions, and if those corporate entities were still in business and making a profit on something else, there would be no injury, according to their interpretation, even though as far as the labor was concerned they were entirely out of jobs—and we do not think that Congress intended that, either.

Now, what we would recommend to correct that situation is that by a change in the language of section 6 and section 7 of the Trade Agreements Act of 1951 and in a clear statement of intent in the committee report, in the legislative history, that they make it clear that what they intended to protect under the escape clause was the domestic labor, management, and capital devoted to producing the product or directly competitive product that was being imported.

It could be done another way, by adding at the end of section 7 (b) of the Trade Agreements Act of 1951, a sentence something along this line:

The term or the phrase "injury to domestic industry producing like or directly competitive products" as used in this act shall mean that portion of the producing organizations or their employees manufacturing, processing, growing or otherwise producing like or directly competitive products or producing the raw material or components thereof.

Now, that exact language is not necessary, but I do think that it is incumbent upon the committee to recognize this problem and clarify it one way or another.

If they actually intended these producers of individual commodities not to have relief, then I think that they ought to come out frankly and say so, and in our opinion that would require or, at least, to be honest, that the Congress should just repeal the escape clause and say, "It is entirely up to the President."

Mr. Chairman, that completes our statement. There are several other phases of the escape clause where we think strengthening is needed. Other witnesses testified on those. We wanted to confine our testimony to our own experience with the escape clause in the pin case, which we think clearly demonstrates the interpretation that the Tar-

iff Commission and the President are putting on it, which makes it completely ineffective.

Senator LONG. Mr. Breckinridge, your statement certainly deserves a great deal of consideration, and you have pointed out some points about this that I, frankly, did not understand.

Mr. BRECKINRIDGE. Mr. Chairman, I think it would be desirable to submit to the committee, along with the other material I have submitted, a copy of the Tariff Commission findings.

(The Tariff Commission findings above referred to will be found in the files of the committee.)

Mr. BRECKINRIDGE. Now, I would also like to refer to Senator Watkins, who, in a statement included in the Congressional Record of February 25, 1955, commented at length concerning this almost total ineffectiveness of the escape clause, and most of his statement is devoted to this "domestic industry" question, and the President's ruling and that appears at pages 1766 to 1780 of the Congressional Record of February 25, 1955, in which he reproduces along with his own comments, a speech made last year by Congressman Bailey, who was the author of the escape clause in 1951 as originally adopted in the House, entitled, "Tariff Commission Interpretation of 'Domestic Industry' Nullifies Escape Clause in Trade Agreements Extension Act of 1951."

There again, I do not want to put that in the record, but I would like to refer the committee to it; for the benefit of the committee, I would like to submit that.

(The speech above referred to will be found in the files of the committee.)

Mr. BRECKINRIDGE. That completes my statement, Mr. Chairman, and thank you for this opportunity to be heard.

Senator LONG. Senator Malone.

Senator MALONE. Mr. Breckinridge, I think that you have made a very good statement. I think you have made yourself entirely clear, and I think that the representations that you have made have served to point up the intention of the act.

Now, I want to ask you a question.

How can you help any business in this Nation when you enact a law or a provision in a law whereunder anyone in the administration can attack the industry, and with the possibility that serious injury can come from a decision of someone entirely separate from Congress. I also want to ask you if it does not appear that there must be someone who—and I do not see how anyone can come to any other interpretation—that there must be someone who actually intended to martyr business in this country?

Mr. BRECKINRIDGE. I believe that many of the proponents of the bill and drafters of the bill in this form actually did intend—could I elaborate that just a little bit?

Senator MALONE. Yes, I think this is one of the most serious cases.

Mr. BRECKINRIDGE. To go back to the escape clause, it was written into the law in 1951 and previous to that, the principle of it had been, although the criterion had not been laid out, written in by the administration in various trade agreements.

I do not believe they were sincere, I do not believe they ever really intended for it to operate effectively.

Now, the rules of the Commission were developed based upon those criteria and based, up until recently, upon a majority opinion of the

Commissioners in the Tariff Commission who were nonsympathetic to an effective escape clause. Many had actually participated in writing the administrative escape clause and in making concessions in the trade agreements, and yet when the Congress comes along in 1951 and says, "We do not like the way you have been administering the escape clause, industry has not had a chance, and we are going to write it into the law and specify the procedure," then they come back, as I read their report, and say, "Well, you did not really make any change, we did not even change our rules, we consinued them as they were," and they take that as saying that the Congress has approved it because they had not changed the law.

Now, that is what I say the Congress should do, either approve or disapprove it—and do so clearly.

Senator MALONE. Well, what I am trying to do, every 2 or 3 years whenever the bill comes before the Senate for extension is to get together on an amendment to see if—well, let me ask you this, first. Did anyone ever get relief under the escape clause?

Mr. BRECKINRIDGE. Yes, sir, I believe that the fur felt hat bodies, I believe it was—anyhow, I believe it was something with respect to fur felt hats, they did obtain relief.

Senator MALONE. What year was that?

Mr. BRECKINRIDGE. Either 1950 or 1951, prior to the enactment of the escape clause in 1951.

Now, I believe personally, although I could not prove this, I do not suppose, but I do believe that relief was granted in that case for purely political reasons. I believe that relief has been granted since the enactment of the escape clause in the watch case and fig case, in those cases, and the alsiko clover cases, but they were the only ones that got relief, I believe, and I think they were all granted for political reasons, that they would have gotten relief even though Congress had not enacted the escape clause, because the President could give relief without that, and that is why I say if the escape clause is not going to mean anything, then the Congress ought to repeal it.

Senator MALONE. Well, now, turning back to this "serious injury," I do not know how much business experience you have had, although I know that you have been counsel for many business organizations, but let me ask you this: Do you believe that a business can be under a continual threat of serious injury and not knowing who is going to judge when they are in danger or how it is going to be legally interpreted, and yet they have to show "serious injury," do you think they can continue to operate under that cloud?

Mr. BRECKINRIDGE. No, sir, I do not think they can, unless they are making money on something else.

Senator MALONE. Well, that is entirely different.

Mr. BRECKINRIDGE. I do not think they could even get bank credit. You take the Union Pin Co., which produced nothing but pins; I know that they cannot get bank credit because the bank is not going to risk their money—

Senator MALONE. Of course, if a business has to be under such a continuous cloud, no one is going to invest any capital or time into a business under such a cloud. The only reason that a man invests his capital and his time into a business is for profit. When a business is started, it usually is started by younger people who have great ambition to make some money, and who want to expend their energies for

themselves. A bank extends credit because of that ambition and know-how, don't you agree?

Mr. BRECKINRIDGE. That is right.

Senator MALONE. And so if you put a cloud over that business, they know that they can be attacked at any time with this serious injury cloud that they are under all the time, then you do destroy that business—how in God's name could anybody be expected to have a business to be a success—

Mr. BRECKINRIDGE. They cannot, certainly nobody is going to put any money in there.

Senator MALONE. Of course not. If this is continued, then you are going to destroy our business, you are going to destroy our workingmen of this Nation, you are going to destroy the small investors when you impair their ability to develop themselves by making them dependent on someone entirely away from Congress—

Mr. BRECKINRIDGE. Well, Senator, I feel that those Congressmen and Senators who have voted for it sincerely thought that it was for the good of the country to do so.

I am hopeful that, having seen how it works and how domestic industries are forced out of business, and if the escape clause does not grant relief, that they will make some changes.

Senator MALONE. Well, I am hopeful that they will let it expire.

Mr. BRECKINRIDGE. I actually would prefer to see it expire, too, Senator.

Senator MALONE. Thank you, that is all.

Senator LONG. Mr. Loos, will you come forward?

STATEMENT OF KARL D. LOOS, ATTORNEY, WASHINGTON, D. C.

Senator LONG. Mr. Loos, do you have a prepared statement?

Mr. Loos. No, I do not, Mr. Chairman.

Senator MALONE. Now, Mr. Chairman, I do not like to object, but these men who come in here and make extemporaneous statements, it is very hard to add it up and to make your questions as they go along, and I think it is hard to get a good record in this case, and I would like to have the privilege of asking questions of the witness as he goes along and makes a point. If he had a statement, I could see it here, but without a statement, it makes it very difficult.

Senator LONG. Senator Malone, the last witness took 2 hours and many of the questions were repetitious. It occurs to me that if witnesses would just go ahead and make their statements, which is our usual procedure, and after a witness has made his statement, let him answer any questions that the Senators may ask. We would then be in a position for the witness to make his position clear and have our questions asked in a somewhat more expeditious manner.

Senator MALONE. It has not been the usual procedure—

Mr. Loos. It is entirely immaterial to me, Mr. Chairman. I am perfectly willing to be interrupted, I am not asking—I have a very brief statement to make.

Senator LONG. I might suggest that the witness make his statement, and if the Senator finds it difficult to wait until the witness has finished, then we will let him ask as the witness goes along.

Senator MALONE. Well, I really believe, Mr. Chairman, that this is the most important thing that is facing Congress. I do not think

that we should pass over lightly what the witnesses say and without regard to the positions of the witnesses. If some of these witnesses give or introduce any points that are new information to this committee—and I would say, again, Mr. Chairman, that this is the most important thing facing Congress, that this—

Senator LONG. Senator Malone, I appreciate your views on this subject, but I do not believe that this would in anyway prevent you from asking all of the questions that you wish to ask.

Therefore, I am going to ask the witness to go ahead and make his statement, after which the committee may question him.

Senator MALONE. Well, I will agree with you, I will have questions.

Senator LONG. I do not want to keep you, Senator Malone, from asking any questions.

Senator MALONE. I am sure of that.

Mr. Loos. Mr. Chairman, my name is Karl D. Loos. I am a lawyer here in Washington, a member of the same firm to which Mr. Breckinridge referred.

I appear on behalf of a group of organizations on the west coast, representing growers and marketers of tree nuts and citrus fruits.

I do not intend to refer to these commodities or any commodities in particular here, I am just trying to make a contribution to these hearings which have already covered a great deal of ground. I have thoughts on one subject that might well be covered and that has not been fully covered heretofore, as far as I know, and in doing so I want to refer to two publications which have recently been issued by the Tariff Commission. One is entitled, "Outcome or Current Status of Applications for Escape-Clause Investigations by the United States Tariff Commission as of January 7, 1955," and the other is entitled, "Outcome or Current Status of All Investigations Conducted by the United States Tariff Commission under the Provisions of Section 22 of the Agricultural Adjustment Act, as Amended, as of February 1, 1955."

These two publications contain analyses and compilations of all the escape-clause actions and all of the section 22 actions which have come before the Tariff Commission during the period that those two pieces of legislation have been in effect.

Senator Watkins this morning referred at some length to the escape-clause actions, and so I can refer to his testimony, too, on that subject.

I might summarize, however, by pointing out that of the escape-clause actions on which recommendations were made by the Tariff Commission in favor of escape action, there were a total of 15 in the entire period, of which 5 were made before January 1, 1953, and 10 subsequently.

Of the 5 submitted by the Commission prior to January 1, 1953, in 3 cases the President followed the recommendations and in 2 cases the recommendations were rejected.

Of the 10 since January 1, 1953, the Commission's recommendations were followed by the President in only 2, and in 8 the Commission's recommendations were rejected.

Now, Senator Watkins, I believe, did not refer to the section 22 actions. Those, as you gentlemen know, relate to agricultural commodities. And I am sure that section 22 is so familiar to you that I do not need to refer to it except by name.

In the section 22 actions, the first one of which was cotton, there have been a total of only 11 cases instituted since the enactment of that section in 1935.

However, in some of the cases, notably the first one, cotton, there have been quite a number of separate investigations and separate recommendations made.

Now, in these section 22 actions, the action of the President has followed that of the Tariff Commission to a greater extent than in connection with the escape-clause actions, but even so, even though it has been followed to a greater extent, there have been a number of cases in which the Commission's recommendations have not been followed.

I think it is of some significance that that tendency to reject the Commission's recommendations or modify them has developed in recent years.

Prior to January 1, 1953, there were a total of 18 separate recommendations made by the Tariff Commission in section 22 cases to the President, and the President followed those recommendations in all cases except one, and that one was one of the last on which President Truman acted.

Since January 1, 1953, there have been 10 separate recommendations, and of those, 5 were followed by the President, 2 were modified, and 3 were rejected.

Now, this experience, it seems to me, points up 2 propositions that ought to receive the very serious consideration of this committee and of the Congress before it makes any extension of this act for 3 years or for any shorter period.

The first is, How can there be so much difference of opinion between the President on the one hand and members of the Commission on the other hand and among the members of the Commission on the application to a certain set of facts of this statute; and how can there be so much difference of opinion in the conclusions that are drawn therefrom?

The experience that we have had certainly demonstrates a lack of definiteness and certainty in the statute.

I want to submit an urgent plea that before Congress permits this law to continue, it take steps that will bring about a clarification of this act including the provision which Mr. Breckinridge discussed at some length.

Let us set up a standard in this statute which reasonable men can look at and in considering the same facts, will reach somewhere near similar conclusions, instead of such diametrically opposite conclusions as have been reached in the past under the existing statute.

The other proposition is as to the responsibility for the conclusions reached. The act does impose on the President the final responsibility both under the escape-clause actions and under section 22.

Now, we all know and it must be obvious to anyone that the President himself cannot consider these things; he cannot personally do these things.

He does not have the time. He could not possibly assimilate the knowledge and the technical details necessary to reach conclusions in these matters.

Who does reach these conclusions upon which the President acts and rejects the Tariff Commission's recommendations or modifies those recommendations?

It has been my observation in practicing here in Washington over the last—well, since 1920, that the President's actions are taken through a small group in the White House staff, and in this case, the case of tariff matters, through a so-called Trade Agreements Committee, an interdepartmental committee consisting of representatives of each of the several departments, and the Tariff Commission also has one representative on it.

Now, we have created by the statute the Tariff Commission, a body of members appointed by the President who are supposed to have expert knowledge and who, I believe, do have expert knowledge on these tariff matters.

They have in the Tariff Commission a large staff, a competent staff, and in any one of these escape-clause investigations or section 22 investigations, that expert staff makes a complete and thorough investigation of its own. Public hearings are held at which the members of the Tariff Commission attend in person, not merely an examiner or some representative, but the members in person attend those public hearings and listen to the evidence.

After all of that, the Commission writes a decision and makes a report to the President, a product which is the result of long and careful study and of expert analysis, not only by the members of the Commission themselves, but by its staff.

That goes to the White House. Then what happens? It is distributed, at the same time it goes to the White House, to these different departments who have representatives on the interdepartmental Trades Agreements Committee.

Now, those representatives sit around the table and in the course of a few hours without any investigation by themselves, without any investigation by any staff, without hearing any witnesses, without any opportunity for interested parties to appear before them to make argument or submit evidence, they, together with a small group from the White House staff, none of whom have any particular expert experience or knowledge in connection with tariff matters other than what they might pick up from sitting in on these committees over a period of years—they are the ones who make the real decision and decide whether they will follow or reject or modify the Tariff Commission's decisions.

Now, I submit that is an intolerable situation.

If we are going to have a Tariff Commission, an expert body, and it is going to go through all of this procedure of investigation and hearings and argument and making decisions, then those decisions ought to have the same respect and finality that is given to decisions of the Interstate Commerce Commission, the Federal Trade Commission, and various other commissions of this Government.

If we are not going to give them any standing, then why not abolish the Tariff Commission and let this interdepartmental committee and group in the White House staff make these decisions in the first place, and not lead the people of this country to think that they have had an opportunity for a public hearing.

So I submit that in the first place we ought to clarify the statute and set up a standard that reasonable men will not differ upon and will reach the same conclusions in the application of the same facts.

Secondly, we ought to have the responsibility for the conclusion definitely fixed and not subject to change by the whim or caprice of an interdepartmental executive committee or small group in the White House staff.

I had intended to refer also to a couple of other provisions in the statute. Particularly I would like to refer to this provision, the section which refers to "existing law," section 3 (a).

That says, in effect, that no trade agreement shall be negotiated in conflict with existing law. Then, later in the act, several pages later, under section 3 (c), existing law is defined as meaning existing at the time the trade agreement was entered into.

It has been the practice in connection with these trade agreements when they were put in effect by proclamation to say in the proclamation that this does not change existing law.

I think the statement usually is something to this effect, that the provisions of the trade agreement are put into force by proclamation to the fullest extent permitted by existing law.

I construe the term "existing law" as used in those proclamations to mean the law as enacted by Congress at any time, now or in the future, and I think that is what that does mean. I think that is accepted, that that is what that means.

However, I believe the trade agreement negotiators have felt restrained and fenced in by such an interpretation, and that they ought to get a cutoff date. I think that by putting in this provision about the meaning of the term "existing law," they want to get a cutoff date so that Congress thereafter cannot make a change in a provision that has been put in effect by a proclamation pursuant to a trade agreement.

Not only that, but they can come back to some of these old trade agreements entered into a long time ago—there is not really any limit in this statute as to how far back they can go, go back before a statute was enacted, like some of the provisions of section 22, recently enacted sections of the Marketing Agreements Act, which permit the regulation of imported agricultural commodities in the same manner as domestically produced commodities are regulated, and they can search them for such provisions, and by putting them into effect by proclamation, because it was not in conflict with existing law on the date of the agreement, they can repeal or modify statutes that the Congress has enacted.

The other point I wanted to make is with regard to the provision that refers to 50 percent ad valorem rate.

Now, there is not anything about 50 percent that should take it out and put it into a separate category from all other kinds of duties. The question is: In all of these cases, what is the peril point, what is the point at which we must have a tariff to avoid injury to a domestic producer, a domestic agricultural grower, or domestic manufacturer?

I submit that those commodities that have 50 percent ad valorem rate should be treated no differently than those that have any other rates.

That completes the statement that I want to make.

Senator LONG. That is a very clear statement, and if every witness should express himself as clearly and directly as you have done, Mr. Loos, I do not think it would be necessary to put in the Reorganization Act that witnesses be required to have prepared statements before they appear. I think you have made your position very clear, and have stated it very concisely.

Senator MALONE?

Senator MALONE. I want to congratulate you, Mr. Loos. You have a grasp away beyond 99 percent of the people that I have heard discussing this, and I think I am including the Senate, too, and I can make some sense out of your statement.

Now, is it not obvious to you that somebody, some individuals, some group, in the administration meant right from the beginning to sidetrack the Tariff Commission, which is an agency of Congress, from the regulation of the foreign trade?

Mr. Loos. Yes, Senator; I believe there has been a group from the beginning that wanted to take this out of the hands of the Tariff Commission and wanted it—

Senator MALONE. Hamstrung?

Mr. Loos. Oh, yes; wanted to take it out of the hands of Congress and put it in the hands of the Executive, where they felt that, after the most likely delegation of Executive authority, they would be in a position to do just whatever they wanted to. I think there was such a group, but I believe they put the thing over on Congress; I do not believe that Congress had any such intention, at least at the beginning.

Senator MALONE. Well, I agree, and I think that this thing has been a blind alley, which has come about in great measure because of this continual rush or this continual emergency that we have had almost continually for 21 years here in the Congress, and the Congress has never had a chance to sit down and really think anything over in the cool of the evening. Do you agree with that?

Mr. Loos. I agree. I have lived through it in Washington.

Senator MALONE. How long have you been in Washington?

Mr. Loos. Since 1920.

Senator MALONE. Well, if I see a few more like you, sir, I am going to perhaps have to retract some of my remarks that I have made so frequently, that there is more education in Washington and less common horsensense than any place I have ever been in.

Mr. Loos. Well, I think I agree with that.

Senator MALONE. Now, for the last few years, people are so rushed—I judge that my colleague here has at least two other committee meetings today or had, I know I had, but I never left this committee.

We cannot take care of all of our business and we have to make up our minds as to what is important.

Fortunately, I have had a little early training in that regard. I was in the engineering business for 30 years. Now, engineers have peculiar minds, they finally decide on what they think is important and they do not leave it.

Now, since I have been in the Senate, I have been getting madder and madder about seeing business being destroyed in this country by people who wanted to destroy it, people who are keeping our American people fed on propaganda, propaganda which is rolling out of here by the ton, saying that they are taking care of private business,

and they are doing that with their left hand and destroying it with the other—do you agree with that?

Mr. Loos. I think there have been some such people around here, yes, sir.

Senator MALONE. And they are in power?

Mr. Loos. I do not believe they are in power now, although—

Senator MALONE. Well, in the second or third echelon in the State Department, do you think they have changed?

Mr. Loos. A lot of them, some of them have changed, but I do not consider that the second or third echelon are in power, they may be asserting the power, but it is possible to stop them.

Senator MALONE. Well, I have read several times—I think you have been here when I read what Mr. Dulles said, and he was an honest witness—

Mr. Loos. Yes, sir, I heard that.

Senator MALONE. As a matter of fact, I respect him for his honesty, I respect him for that, whether I agree with him or not. I respect him because he really and honestly believes that they ought to be doing this. I do not agree with that, but I respect any man that tells the truth and looks you in the eye, whether you agree with him or not, and Mr. Dulles was very clear as to what he felt the law was for, and that he felt that if it was properly administered, it would destroy some industries.

Well, I do not think Mr. Dulles is aware of how much it has already destroyed and will destroy.

Now, before the passage of the act in 1934, there was the principle—that was laid down in 1930 of fair and reasonable competition, having regard for the standards of living and the bringing in of any products on the basis of your costs. That principle and that alone was laid down in the Tariff Act of 1930. And it was given to the Tariff Commission to administer.

Now, of course, I fully agree with you that the men in the Tariff Commission are competent.

So, that one principle that we had in 1930 was changed in 1934 to include international political factors and industrial economic factors and what was vaguely referred to as the overall good of the United States of America. We changed the policy to include all of the political and economic factors and made it possible for one man to judge what was good for this country, and he could make any decision that he cared to make—is that true?

Mr. Loos. Well, Senator, in general that is probably true. I was here at the time this 1934 act was prepared, and I took an active part in following it through the legislative channels.

I must say, however, that while I realized at that time that the 1930 act was being departed from and some of those provisions in there, as you correctly say, which relate to fair and reasonable competition, while some of those provisions were rendered ineffective, I was not aware at that time as I have become since of the extent to which they were being substituted.

I felt at the time this was a supplemental act which would take into consideration additional matters not mentioned in the 1930 act, but I did not realize the extent to which the 1930 act provisions were being displaced.

It seems to me that rather than being a sudden change, there was a gradual evolution after 1934 in the administration of the act that has resulted now in what we have, a complete displacement of the 1930 act and the substitution of the views of one man as to what is good for international trade and international relations.

Senator MALONE. Well, I say to you, Mr. Loos, that being in Washington has an effect on anybody. They get to thinking that what we find around here is public sentiment.

Well, there is no public sentiment in Washington because we have no public. Every man in Washington is working for the Government or doing something for the Government or selling something to the Government or selling something to somebody working for the Government or trying to get something from the Government.

There would be no Washington if the Government left.

Mr. Loos. That is certainly true.

Senator MALONE. So, there is no public sentiment here.

Now, I was almost 3,000 miles away from here when they passed that act, and from that time on, just from reading a news item, I began to get madder and madder and finally I got to the Senate because I knew then when it passed, just as well as I know now, that it will utterly destroy the United States of America. Whether the Congressmen or Senators knew it or not is beside the point.

Mr. Loos. Well, you were more astute than I was.

Senator MALONE. No, it was not that. I was aware, I had the opportunity to sit down in the cool of the evening, I had the opportunity to do some thinking about it.

Mr. Loos. Well, I tried to think about it.

Senator MALONE. Do you believe it is possible to sit down in Washington and—really sit down and look at a thing?

Mr. Loos. Well, I would hate for my clients to think that it is impossible. Of course, I practice here. [Laughter.]

Senator MALONE. This is not meant to disparage you—

Mr. Loos. It is difficult to agree with that—

Senator MALONE. But you have all of these newspaper columnists, every morning, there are 6 or 7 of them if you take more than 1 paper, and they know all of the devices and finally you get into a frame of mind that I see all around here, and it is just too bad.

Mr. Loos. Senator, I do not read any of them in any of the papers, never have.

Senator MALONE. Let me put it this way: In Nevada and out in the West, we have what they call drifts, your cows go headed along these drifts and they go right direct down and finally they come to this corral. There is a corral just ahead of them, and you do not notice the drift and you get further down and further down until you come to the corral—and that is the end of the cow.

Now, we are close to the corral, Mr. Loos, and this thing is going on all around us, it is going on all over the universe, and if we extend this thing, if we extend the life of GATT, then we will be caught. Now, nobody knows what GATT is, and I do not think that the State Department really knows.

Now, this goes on all the time, these people work while you sleep. They are over there right now, 35 or 40 or 50 nations, and if you extend this thing for 3 years or 6 months or whatever we do here, then we are at the corral. And if we do not extend it, then it reverts to the Tariff

Commission and it means that our markets are not in the pot. The minute we don't do it, then we are not in the pot—and what we have got in the markets of the world is worthwhile, isn't it?

Mr. LOOS. We certainly have the best market.

Senator MALONE. We have the only markets that are worthwhile.

Now, those people have been sort of taking it easy, they have been letting the cow go up toward the corral. It has been going on for about 21 years and now they think that they have got the cow right up there, they are just about ready to close the gate.

Now, all of these extraneous and trick organizations that are just games for us to sit down in, they would all fall of their own weight if we do not extend them. Mr. Dulles testified to that effect, although he is going to be back to be a little more definite. But without the extension of this act, then GATT cannot operate, and while some of these things will still be in effect, still we all know that the President of the United States can of his own volition cancel them and they cannot make any new ones. But the minute you extend this thing, if you extend it for 10 minutes or 10 years then those people are in business. Do you understand that?

Mr. LOOS. I am sorry, I don't understand it fully, Senator, but I would like to say this: That even though the act is not extended there are a lot of provisions in the general trade agreements that are in effect by virtue of the proclamations in addition to tariff concessions, and there are an awful lot of tariff concessions in effect, and we do not remedy the situation with respect to those things that are in effect by failing to extend the act.

Senator MALONE. In other words, we are in the flypaper.

Mr. LOOS. Yes, we are in the flypaper and we do not get out by not extending the act.

Senator MALONE. But I will say this to you, that I believe that the President, as soon as he understands this, will cancel them. The minute that he recognizes its danger I know he will, because that man is a patriot. I do not agree with the people that say that he will not do that. I am sure he will. But what is he going to think, with something that Republicans and Democrats alike have been voting for for 21 years. He must think it is all right. But if they changed their minds and did not vote for it now, I am sure, in my humble opinion, that then he would know that—well, he would see it for what it is, and all of it would then revert automatically back to the Tariff Commission and we will have fixed the duties on the basis of fair and reasonable competition, as laid down in that act, and who is going to nullify it?

Mr. LOOS. Well, no one can, of course, if these things come to pass as you suggest, and if the act is not extended, if GATT and all of the other trade agreements are canceled or terminated, then we are back to the 1930 act.

Senator MALONE. And the President can cancel the trade agreements; can he not?

Mr. LOOS. Yes, by following a certain procedure, giving certain notice, procedures specified in the act.

Senator MALONE. Well, all I am saying is this: That this man is a patriot and I know that he will do those things that he considers right and when he sits down and says to himself, "What is the matter with this thing? Congress won't take it any longer." And then if

he does that, then all of this flypaper that is placed around us in every nook and cranny for us to step into—

Mr. LOOS. Oh, we are out of the flypaper if that happens.

Senator MALONE. Yes, just let the President cancel the trade agreements and then you are right back on the basis of fair and reasonable competition, and just let somebody see that Congress will not be in back of it, then it all falls down, it vanishes, and you are back in business; aren't you?

Mr. LOOS. Oh, sure, if it goes back to the act of 1930, we are.

Senator MALONE. Of course, we might have to give them even greater leeway than 50 percent, up or down, because everybody knows that in the last 21 years the dollar has depreciated more than 50 percent, so in fixing the tariff that would have to be considered; is that not true?

Mr. LOOS. Yes, that is true, with respect to the point of the depreciation of the dollar.

Senator MALONE. Of course.

Mr. LOOS. Yes, and the fixed rates are less protection now than they were.

Senator MALONE. On account of the depreciation.

Mr. LOOS. Yes.

Senator MALONE. And that means that there is less percentage of tariff or duty or whatever it is in proportion.

All right, now, so if that is true, it is a very simple matter for Congress, after it has once seen the light and let this thing expire, it would be a simple amendment, something that will give them the latitude to do the job on the basis of fair and reasonable competition, and then all of these trick organizations, all of these GATT's United Nations, the ITO, the IMC, if it is the IMC, or whatever it is, and all of these smart people that are around here now will all fade out of the picture, won't they, and our markets are not in the pot any more.

Mr. LOOS. If these agreements are canceled, yes.

Senator MALONE. And the President has that in his own hands.

Mr. LOOS. Yes, but may I interject there, Senator, that I made an error a few minutes ago when I said we would be back to the 1930 tariff.

To get back to that 1930 tariff, it would be necessary first not to extend the act; second, cancel the existing trade agreements; and third, for the President by proclamation to modify the existing duties.

If you just cancel the trade agreements, our duties are still fixed and where they are now, but by canceling and then the President would have the authority—

Senator MALONE. Well, it is all in the President's hands; isn't it?

Mr. LOOS. The President would have the authority to proclaim any duty between the existing duty and the 1930 act duty.

Senator MALONE. All right. And since we have had this experience over 21 years and finally if we get up and leave the game—now, we can do that, since we have seen the hidden cards, we have seen them manipulate the prices on particular items; have we not?

Mr. LOOS. It may well be, Senator, it is time to do that, yes.

Senator MALONE. And then we will be out of this thing.

I have been here only 8 years, which is maybe a good thing that I haven't been here any longer, or I would go crazy, and I have noticed men of repute, men that were successful in their business or they were representing successful people, I have seen them coming here with a beaten look, because they know they are going to get hurt, and they don't know how bad, so they duck their heads and they try to get some little thing, they try to live a little bit longer.

Mr. Loos. Yes, I have experienced the same feeling myself the last 10 or 15 years.

Senator MALONE. And I do not think that I would be doing right by the people that I represent, and I think I represent more people than just those in Nevada. I think I represent the United States of America in the Senate, and on this subject I have spoken my mind, and I have done so for all of these years, and I will go on.

We need the help of men like you. You have made a fine statement here.

Now, on this matter of the Constitution of the United States—I do not think anybody ever reads it any more, I know almost nobody ever reads it any more. I memorized it when I was in grade school, the Constitution and the Bill of Rights, and I could get up and rattle it right off, and it was pretty rough, but maybe it was a good idea. Maybe we ought to take it up again in our schools.

You are familiar with article I, section 8—I know you are—where it says in so many words, that Congress may regulate—"regulate" may not be the word, but fix the duties, impose the excises and tariffs, and so on; does it not say that?

Mr. Loos. And that is the interstate-commerce clause too, to regulate commerce among the several States and among foreign nations.

Senator MALONE. Yes, foreign trade.

Mr. Loos. The several States and foreign nations.

Senator MALONE. Regulate foreign commerce, foreign trade.

Mr. Loos. Yes.

Senator MALONE. Now, I think, from people I have talked to, and I am not a lawyer as you are, that many lawyers say it is unconstitutional and there is a suit now, whatever it is, enjoining the Secretary of the Treasury—I don't know, I am not going to try to describe it, alleging unconstitutionality.

Now, it is there, and it can be kept in the courts, I think, I don't know; but if there is some way found to make it legal, it is still not good policy, is it?

Mr. Loos. This kind of a statute—

Senator MALONE. To transfer from the legislative body set up by the Constitution of the United States with the constitutional responsibilities to regulate foreign commerce and foreign trade, to transfer that to another branch of the Government, the executive branch. That is not good policy, is it?

Mr. Loos. No, it is not good policy to transfer it to the executive branch. It may be good policy to transfer it to the Commission, which is—to transfer it to the Tariff Commission, just as interstate rates are transferred to the Interstate Commerce Commission.

Senator MALONE. Well, I am glad you brought that up. In other words, to an agency of Congress, and it is an agency of Congress.

Mr. Loos. Yes. Congress cannot possibly have the time to go into all of the details and regulate them. They have to delegate it to

someone, but they should delegate to a commission or independent agency rather than to the executive.

Senator MALONE. That is my feeling, rather than to an executive committee that has the responsibility of regulating the foreign policy or fixing foreign policy and using our markets in making deals on foreign policy, which is exactly what they are doing, is it not?

Mr. LOOS. Well, they certainly are in a lot of cases.

Senator MALONE. That is what Mr. Dulles says. It is not his language, but the spirit of it is, that it is done to influence people in this international proposition, that is what he said.

Mr. LOOS. Well, there is no doubt, Senator, that there has been a feeling and disposition on the part of some people in the administration of this act to liquidate certain American industries for an international purpose, and some of them have been liquidated.

Senator MALONE. Yes. I think that is a fine statement that you have made, and exactly right. You have been representing business for a number of years, according to your statement, at least for 20 years?

Mr. LOOS. Well, I have been here since 1920.

Senator MALONE. Since 1920. Well, I will certainly have to revise or modify my statement that I think there is no commonsense here at all. I believe there is a little, and there is maybe less than there is anywhere else.

Let me ask you this: In representing these businesses throughout the Nation, how can a business be a success if there is a continual weight held over its head, and at any moment they might wake up and there would be a trade agreement—how could any business succeed with that hanging over its head?

Mr. LOOS. It cannot succeed.

Senator MALONE. Well, is it not an approach to destroy business?

Mr. LOOS. It has that result.

Senator MALONE. And I have said that many times, and maybe I jumped the gun a little, and perhaps it is done piecemeal. But there could be a conspiracy?

Mr. LOOS. Well, it could be, Senator, but I do not want to impute that attitude to all the people who have been for this legislation.

Senator MALONE. Oh, no, very few.

Mr. LOOS. Very few.

Senator MALONE. But let me say to you, Mr. Loos, that the danger in all of these things, in this approach, the economic approach, the international approach—the most dangerous people are not the traitors to this Government, but these people who honestly believe these things.

It has been put in the record once, but at the risk of being repetitious, let me point out one thing. We had a man by the name of Harry Dexter White, Assistant Treasurer of the United States when Morgenthau was Treasurer; in 1945, on March 7, he submitted a memorandum to Mr. Morgenthau, the Treasurer. This memorandum was in response to a question to determine the feasibility of extending large credit to the U. S. S. R. to furnish us critical materials and he only named about 5 or 6 or 7 and specifically that \$10 billion be loaned them to produce these materials, and furnish them to the United States of America. And he said other things, he said that we would be out of petroleum in 13 years, he said that at that time,

and that we would be out of zinc in 8 years, and we would be out of tungsten in 3 years, and out of manganese in under 3 years, and out of mercury in 2 years—and other strategic materials of which we have much more now than we ever had in World War I or World War II or the war in Korea, because when it is profitable to find it, then you find it, and when it is not profitable, then you don't find it. When you become fully dependent on another nation for these things, then you can be whipped without very much trouble, just by being cut off from your supply.

And, we had Secretary Ickes, the Secretary of the Interior, and in my humble opinion, Mr. Ickes was a patriot, but he was a dangerous man in government, not because he was not patriotic, but because he was a patriot and he believed in these things.

Now, without going into it too much, Mr. Morgenthau took the memorandum and sent it to the President almost verbatim and the President continued that policy.

Nobody is ever going to tell me that Truman was not a patriot. He had been a captain of field artillery in 1917 and 1918, just like I had, and he is and was a patriot. But he believes this stuff, and therefore he is dangerous.

And now we come to this act. You know the Congressmen and the Senators. I would swear by them. They are patriots, but it does not matter how much a patriot you are, and the greater patriot you are, the more dangerous you are if you believe these things, and that is what has happened and that is what makes this act so dangerous, because there are men like Mr. Dulles, and nobody can make me believe he is not a patriot. But look, he says, he goes on to say, "serious injury"—who is going to judge the serious injury?

They know there is injury, but not whether it is serious injury—and then there is the political—they are trying to cure and have a balance—I do not know what they intend, but I knew of all the implications of this act in 1935. I just knew it was going to destroy, that is all. But I did not know everything that I have found out since.

I think this is the most dangerous thing in the United States of America tonight, Mr. Loos, and your little industry that you are talking about is not a drop in the bucket. It is just an industry that happens to be in the way. They are not after you, they are after the national economy of this country, that is what they are after, and of course all of these foreign nations benefit by it.

I am glad to hear you agree that no business on earth can exist with that sort of thing hanging over its head. How would you ever get anybody to put any money in a business with that hanging over its head. You could not, could you?

Mr. Loos. No, you could not. I would not like to go so far as to say no business could exist. I would say it could not succeed.

Senator MALONE. Well, it could exist for a while and finally, like a sick man when he does not have a doctor, it is finally eaten up.

Now, I am glad to hear you say without any argument that the escape clause and the tariff plans as they are now are simply held out to the people as an escape clause, or as a peril point, when there is no chance of its working, and I think I understand you to say that without an amendment, it is all in the hands of one man, there is nothing binding on the Tariff Commission.

Mr. Loos. Yes, I think in the present form and in the way they are administered, they are an illusion.

There is no doubt about it being left to a single man to decide. I think it was hoped that the President would make decisions more closely following the Tariff Commission.

Senator MALONE. There is no escaping the conclusion that all of these were done to fool the people, so that the people would go along with the act and to think that they would not be destroyed, and if anyone objected, then he would be destroyed if he was taking something under contract—

Mr. Loos. Well, it certainly was not popular to be opposed to some of these statutes during the past 20 or 25 years.

Senator MALONE. That is about the best statement I have heard for some time. The peril point, of course, the way it operates has no chance of success.

Mr. Loos. Yes. Nobody knows what the peril point is, because it is not disclosed. The Tariff Commission findings are not disclosed to the public.

Senator MALONE. And if you have already put it into a 3-year agreement, if they make the agreement on the peril point as determined by the Tariff Commission and the State Department takes that peril point and puts it in the trade agreement—

Mr. Loos. If it is put in the trade agreement, it is in there forever until it is changed.

Senator MALONE. All right, then, how could it work? It has not a chance.

Mr. Loos. Well, the idea was that the peril point in conjunction with the escape clause and as conditions change, you would have the escape clause to get out.

Senator MALONE. Let me ask you this final question. Could anyone have any doubt that one man had the final decision?

Mr. Loos. No, sir; there is no misunderstanding about that.

Senator MALONE. Mr. Chairman, I think that here we have had one of the best witnesses of the day, and I want to congratulate him. That is all.

Mr. Loos. You overwhelm me.

Senator LONG. Thank you, Mr. Loos.

Mr. Loos. Thank you, Mr. Chairman.

STATEMENT OF GORDON W. SPRAGUE, AMERICAN CONDENSING CO., APPLETON, WIS.

Mr. SPRAGUE. My name is Gordon W. Sprague.

We used to manufacture casein, but we are out of that business now.

Senator MALONE. Why did you get out of that business?

Mr. SPRAGUE. Section 22—that is in my statement, that goes to the reason why we are out of that business now. I will take that up.

Now, I find myself controverting Mr. Fromer with respect to his cheeses. We do not make cheese, but we do manufacture these dairy products which many people think are protected by section 22.

I want to show that it is necessary to strengthen section 22 and make some changes in it in order to accomplish the things which I just do believe that the Congress intended section 22 to do. Therefore, I will be in controversy with Mr. Fromer.

Just for a moment, I would like to say that the foreign type cheese industry about which I know has such a wide range of prices that I do not think anybody except an experienced organization like the Tariff Commission could make very much out of it.

I know that the statement Mr. Fromer made about prices would not apply to butter and would not apply to Cheddar cheese and would not apply to any of the dry-milk products. I have no doubt that the wide range of prices Mr. Fromer quotes can be found in the specialty types, but you can find such a wide range of prices both in the domestic and in the foreign products.

I merely wanted to make that point.

Senator MALONE. Before you start, as a matter of fact, do not these foreign producers and importers take all that the traffic will bear, in other words, if someone goes out of business over here, they just take that?

Mr. SPRAGUE. Well, that is true, and also the fact that you expect to pay—I don't know what kind of a record this will make—but you expect to pay more when you go into a specialty store.

Senator MALONE. Well, would it not be something like a suit of clothes of some particular material that might be woven in Scotland and it has the tariff on it and it costs more for some reason, but you want it and you pay it.

Mr. SPRAGUE. That is right.

Senator MALONE. More than if you were to take ordinary cloth?

Mr. SPRAGUE. That is right, and that is their specialty.

The only reason I drag that in is the fact that I believe some of these manufacturers of foreign-type cheese are entitled to action under section 22 just as much as we are.

Now, I have a statement here. I would like to have it go into the record, if I may, because it contains an exchange of correspondence with the Secretary of Agriculture and it has a few statistics which you will not find anywhere else, and then I think I would just talk after that.

Senator LONG. You may do that. We will print your statement.

You go ahead and give your comments on the situation as you see it. If you wish, you may summarize your statement.

Mr. SPRAGUE. All right, thank you.

Now, we feel somewhat out of place here. These things that we have been hearing—they are much too complicated for me. I am one of these fellows that has been in the milk business with 2 or 3 lines, and I have seen 1 of those products die, and another one is on the way out now. I hesitate to come in and take your time, but I just want to tell you what happened.

I will just do that, that is all, and see if what I say contains anything important.

We applied for an import quota under section 22. To us, it seemed very simple.

Section 22 said that if the imports were coming in to such an extent that domestic production was falling and imports were increasing, if the Secretary decided that was the case, then he must report to the President and the President must ask for action by the Tariff Commission. After he got that action by the Tariff Commission, he had the choice to do something about it or tell Congress.

Senator MALONE. Who had the choice?

Mr. SPRAGUE. The President, he could either act, or tell Congress if he would not act.

Senator MALONE. There is no question about that, that has been established here today.

Mr. SPRAGUE. All right. So, we made our application and made our showing and they are the things that are in this report.

Now, we were turned down by the Secretary of Agriculture and we think that it is wrong for any administrative agency to have the power to reject an action by the Tariff Commission when that administrative agency, in so doing, may be determining the life or death of an industry.

We believe that only the Congress should have that power in the United States. That perhaps is the important point, if it is an important point.

I can go through these letters briefly. We showed that imports of casein had increased, no doubt about that, there was every evidence that it would continue to increase, and our domestic production has fallen and we presented those facts to the Secretary of Agriculture.

Now, we never got our application out of Agriculture. All of these arguments that you folks have been hearing today mean nothing to us, we never got beyond the Secretary of Agriculture with that information because he said, first, that our information indicates that it is not sufficient justification for action under section 22.

In other words, there was not enough money involved, and the fact that we might die, was not the important consideration, there just was not enough money involved.

Furthermore, he said there is no evidence that an import quota would raise prices—well, we never claimed it would. We have assumed all the time that he would be glad to put in a block which would stop, or at least retard, declining prices.

But he made the point that it would not raise prices; therefore, there was no reason for acting.

There we come to another important consideration which I think has to be given account. There are many things going on in this country today which have the effect of reducing incomes which farmers receive not in terms of price but in terms of the cost.

If we go out of business, this farmer is going to find that there is no way to sell that whey at all and he will be loaded with the cost of disposal.

Senator MALONE. Where do you operate?

Mr. SPRAGUE. In many States. We operate in Wisconsin mostly, New York, Oregon, California, Kentucky, Tennessee, Minnesota, and a little in Ohio—countrywide operation. The Congress in both Houses is today considering bills for stream pollution. The whey we buy and make into a commercial product is a notable source of stream pollution if it isn't so used. If you will have imports force that whey back into the streams and sewers then you are going to amortize taxes to pay this farmer to put in stream-pollution equipment and you really get hooked coming and going. You not only lose the income from manufactured whey but you pay out on the other side for preventing stream pollution. Section 22 does not take account of such things. They are important. I think in making an investigation the Tariff Commission and the Department of Agriculture should take account of such things

because they do add up to farm income which the Congress is trying to support.

Then as a third proposition the Secretary admitted that if quantity of milk sugar produced were decreased as a result of serious imports that would intensify the whey-disposal problem and increase the whey-disposal cost to many factories.

Senator MALONE. He actually said not enough money involved?

Mr. SPRAGUE. The turn of the whole argument was on this term, "materially" affect programs.

Senator LONG. Do you have that quotation from the Secretary of Agriculture in your printed statement?

Mr. SPRAGUE. The exchange of letters is here. I have been liberal with it but the exchange of letters is in here. There are three letters.

Senator LONG. Which one is it in which he says that relief is denied and about which you complained?

Mr. SPRAGUE. It is in this letter following page 3. You will find it all in that letter.

Following that the Department of Agriculture had a support program for whey. We thought they would strengthen our program when they started buying dry whey to support the price. We thought we would be in a better position to make our case. So we made it again. We were again denied for the same reason: it would not increase the price of milk. I could go on here with these other pages. They are very carefully written. You will put all this in the record; there is no need for me to take up your time more than to say if you cut off a pound of milk sugar you will have 1 more pound of dry whey to produce and sell.

We are talking about 5 million pounds of milk which this operation affects.

As I have estimated it I was talking about \$3 million.

In other words, in the last 2 years the price of whey has gone down to an extent that lost the farmers \$3 million. I don't know what "material" means, but I come back to Mr. Loos' position. Wouldn't it be a good thing to have a criterion so people who have these problems and read the law might come up with some sort of an idea as to what we are talking about?

I think that \$3 million is very material.

Senator LONG. You feel that \$3 million is the most of whey now?

Mr. SPRAGUE. The decline in the price of whey, which has taken place in the last 2 years, against the 5 billion pounds of milk used by the whey industry for manufacturing, cost farmers two and a half to three million dollars. Probably some of the folks did not pay as much as we did. Some may have paid more. It comes out about \$3 million.

Senator LONG. Thank you very much.

Mr. Frank Masterson.

That concludes the hearing for this evening. Mr. Masterson is not here.

Senator MALONE. Mr. Chairman, could I question this witness?

Senator LONG. Certainly.

Senator MALONE. Your name is Mr. Sprague.

Mr. SPRAGUE. That is right.

Senator MALONE (presiding). Now, Mr. Sprague, we have heard a good deal about the protection afforded agriculture through the section 22—

Mr. SPRAGUE. That is right.

Senator MALONE. Of the act.

Mr. SPRAGUE. That is right.

Senator MALONE. You are the first one that has come here and wants to tighten this that I have heard.

Mr. SPRAGUE. Well, I thought Mr. Reed of the National Creamery Association submitted a proposal for section 22 the other day in which they thought that it should be made mandatory at least on the Secretary and mandatory on the President under some conditions. I am sure that many of us in the industry agree that it should be the Congress that makes the decision as to whether or not a recommendation by the Tariff Commission should be followed.

We are playing with things that are much too big to be the responsibility of one person anywhere.

Senator MALONE. You are aware, of course, that the 1930 Tariff Act made the Tariff Commission an agent of Congress and set down the principle upon which they would operate.

Mr. SPRAGUE. That is right.

Senator MALONE. That was the basis of fair and reasonable competition, meaning to fix a duty as an evener between the foreign cost and the domestic cost. That is right, isn't it?

Mr. SPRAGUE. Yes.

Senator MALONE. Was there ever a duty on casein?

Mr. SPRAGUE. Yes. I can't tell you what that duty was.

Senator MALONE. Did they cut the duty?

Mr. SPRAGUE. I am sure they did; yes.

The sugar was 25 percent ad valorem. That was because it was caught in the waste basket clause in the act.

There was a specific duty on casein.

Senator MALONE. You are aware that the 1934 Trade Agreements Act completely changed the principle of determining the duties and imposts and excises that we call tariffs?

Mr. SPRAGUE. That is right.

Senator MALONE. In other words, instead of being on a principle of fair and reasonable competition and to be determined by the Tariff Commission on the factual basis of the difference in cost?

Mr. SPRAGUE. Yes.

Senator MALONE. Then the 1934 Trade Agreements Act made inactive that act and included many considerations; that is, international political considerations and the general economy considerations in the United States.

Mr. SPRAGUE. Considerations we never understood, of course, but we know the procedure was changed.

Senator MALONE. No one else understood them. But you do understand that they changed the principle completely.

Mr. SPRAGUE. That is right.

Senator MALONE. Then instead of the Tariff Commission determining this difference and recommending that to be the tariff, it was left entirely to the Executive?

Mr. SPRAGUE. Yes.

Senator MALONE. And regardless of any escape clause or any peril point clause it was still in the hands of the Executive regardless of what the Tariff Commission said about it; was that right?

Mr. SPRAGUE. That is the way we understood it.

Senator MALONE. You are aware that the Constitution of the United States, article 1, section 8, does make it the constitutional responsibility of Congress to set these duties, imposts, and excises that we call tariffs; do you not?

Mr. SPRAGUE. Yes; that has also bothered us, yes.

Senator MALONE. You are aware that the same section puts the full responsibility on Congress to determine to regulate foreign trade?

Mr. SPRAGUE. That is right.

Senator MALONE. Now even if it is constitutional, which many of us doubt—and it is in the court now. That is to say, Morgantown Glass Co. has sued the Secretary of Treasury on constitutional grounds and, as a matter of fact it is my opinion that is where you ought to be as friends of the court. All you people who are complaining, because you are not bringing the suit, you are trying to get that determined and you are all worried to death.

Any individual, any independent party, your lawyer can tell you, can file a brief as friends of the court and be heard, take a deposition.

Mr. SPRAGUE. I had not thought of that.

Senator MALONE. Then Senators and Congressmen of Wisconsin and wherever you operate, the papers will use it, they will know what is happening to you.

Of course you never thought of it, but I am sure you will do it.

Business is licked, it is beaten. Its ears are knocked down. That has lost its political guts. They have none. If in fact they have ever had any.

Mr. SPRAGUE. I have not won anything by talking to anybody about our problems; it seems to be a waste of time. But I am still here. I did not expect to win a thing here today but we will keep this on the record as long as we have money enough to come down here.

Senator MALONE. Neither have I won anything. I am here for the ninth year. I quit the engineering business to come down here. I will win one of these days unless all business quits me.

You do understand that all these trick organizations that we have heard named today—the GATT, they spelled it with two t's unfortunately, at United Nations, IMC—all fall on their face if you let this act expire and the President cancels these trade agreements already made.

Mr. SPRAGUE. I am not a lawyer. To me the argument about the Bricker amendment and GATT is about the same case; it is a question whether Congress will do this job or whether somebody else will do it.

Senator MALONE. As a matter of fact they are a little bit difficult, because in the matter of foreign relations, in making treaties, the President is empowered by the Constitution to do that. The Bricker amendment would prevent him from violating any of the constitutional provisions of the United States and other considerations.

This is entirely a different thing. This is a congressional responsibility. But you do understand that if we extend this act we keep our markets in the pot, and they are still operating in Geneva. Do you understand that?

Mr. SPRAGUE. Yes. I also know that many college professors are out preaching about the fact that we ought to have free trade. The peril points and section 22 and those things they think are all the help we need. We know that is not so but what do we do about it?

Senator MALONE. There are a lot of frustrated professors and people who are working for the Government that do have those ideas, I know that. But that was not what I came to the Senate for. And if I can get any help from business, if they would come in and do something besides just duck their head and say I'd like to live one more year, we might win. I think we are going to.

Mr. SPRAGUE. I wonder how sick we have to get before we start winning.

Senator MALONE. This says you have to suffer serious injury.

Mr. SPRAGUE. I have heard you say that three times today.

Senator MALONE. If all the business today suffers serious injury this economy will go out like a light.

Mr. SPRAGUE. I hate to think it is going down. It is sagging now in spots. The casein business has sagged badly.

Senator MALONE. Do you think a business can have a healthy economic growth or a continuance of its present size continually under the shadow of a State Department or Executive that may make an agreement at any time of the day or night to put him out of business?

Mr. SPRAGUE. It depends on the agreements. It was not that way when we built this business in the United States.

Senator MALONE. When did you build it?

Mr. SPRAGUE. Ever since the Civil War. It was not that way over that period of time.

Senator MALONE. It is that way now. And for many years there was no real opposition to this act. They extended this almost perfunctorily. I was getting madder and madder 3,000 miles away from here because I knew you could destroy every business in the United States of America that needs that protection to even the cost between here and the foreign nations.

Mr. SPRAGUE. I always suspected the people who set up that act had different intentions for it than it turned out.

Senator MALONE. What intentions did you think they had?

Mr. SPRAGUE. I suppose you are talking about Mr. Hull.

Senator MALONE. I am not talking about Mr. Hull.

Mr. SPRAGUE. We are not talking about the same thing. Let's forget it.

Senator MALONE. I think they used him as a tool.

Mr. SPRAGUE. I don't think he had any intention that these things were going to happen.

Senator MALONE. He wanted to sell coal and tobacco and cotton, and he was a patriot.

Mr. SPRAGUE. I believe that.

Senator MALONE. The people who cooked these things up are not the ones who sell them to the people of the Government. They sell some important Government officials and important people in this Nation who sell them to the Nation.

Mr. SPRAGUE. The basis on which they make their determinations are obviously different than we thought they were going to be or different than we would make them; that is sure.

Senator MALONE. You just could not conceive as a businessman that the Congress of the United States could be the dupe of people who wanted to destroy you; could you?

Mr. SPRAGUE. I worked for the Government a while. I know the extent to which Congress depends on the Government agencies and I can understand how the Congress can get itself in that trap for a little while. The Congress has got to pull out of it, otherwise all of the things you hear about are going to happen.

But Congress has the job of pulling out of this hole.

Senator MALONE. 21 years is coming of age, isn't it?

Mr. SPRAGUE. Yes.

Senator MALONE. We ought to come of age.

Mr. SPRAGUE. The things are beginning to show up in rougher shape than a few years ago.

Senator MALONE. They showed up many years ago but it did not happen to you so you didn't come down.

Mr. SPRAGUE. I am here now, Senator.

Senator MALONE. Do you believe—that is what I want you to tell me for the record—that any business that needs a duty or some evener between the low-wage competition abroad and here to exist can be successful over a period of years with this thing hanging over their heads? It could happen at any time even if it has not happened already.

Mr. SPRAGUE. Well, we know what happens when the things begin to work in our backyard. How many backyards are they working in? I know people in the knitting business who are in worse shape than we are but not much worse.

Senator MALONE. You heard Mr. Batt testify today that he thought these tariffs ought to be continually lowered and there ought to be increased competition.

Did you not hear him?

Mr. SPRAGUE. Yes.

Senator MALONE. You did not happen to hear Mr. Hoffman a few days ago? He said any business that could not exist under the continual lowering of tariffs, should go out of business anyway.

Mr. SPRAGUE. No. Look, I spent a good deal of time when I testified to this subject before Ways and Means, showing some data which I had worked up which showed that the dairy industry, the one in which we work, and there are many others like it, have certain costs within themselves which make it impossible for such an industry to grow up to great size. Size makes it possible to compete indefinitely with lower wages abroad, as you grow larger at home.

There are industries like that. With the dairy industry it is the fact that this milk or whey is around 90 percent water. You have to haul all that water if you bring the milk to a large factory and you don't make any money hauling that water; it is a cost.

The cost to assemble milk is so great you can't build big plants. There must be a lot of little plants, and with a lot of little plants you can't make big savings to offset low wages abroad.

Senator MALONE. It could be that Mr. Dulles had you in mind. I believe he was honest in testifying here. In answer to the very question as to whether injury to a business could be justified under this act I do recognize that the competition, whether it is domestic or foreign

does injure and it injures first the weaker and less economical units in the industry. Perhaps he had you in mind.

Mr. SPRAGUE. There are a lot of industries like that.

Senator MALONE. If we know that it is contemplated that these industries be destroyed or you re-make the industrial map of the Nation on the basis of fitting into international political complications that may make you friends or lose you friends—I think it loses you in a lot of cases—if the President thinks it makes friends he can trade any industry in the United States for that particular purpose, can't he?

Mr. SPRAGUE. It would be interesting to get into a nice debate.

It will take hours. I would like to defend the idea that free trade breeds war and not peace.

Senator MALONE. I think that is a good closing statement. I agree with you.

(Mr. Sprague's prepared statement in its entirety follows:)

A STATEMENT PREPARED FOR PRESENTATION TO THE SENATE COMMITTEE ON FINANCE
WITH REFERENCE TO H. R. 1

My name is Gordon W. Sprague. I work for the Western Condensing Co. at Appleton, Wis. The executive office of the Western Condensing Co. is at Petaluma, Calif.

My interest here today is only in milk sugar, a product of milk produced from whey. This product is importantly connected with whey utilization and disposal and the price of milk used for manufacturing.

We ask that the Congress recognize the weaknesses in section 22 with reference to products manufactured from milk or butterfat or products thereof. Two important clarifications of intention are needed as follows:

1. When domestic production of such a product is falling and imports are rising, there should be an investigation by the Tariff Commission to determine the cause and recommend with reference to import duties or quantitative limitations.

2. Whenever the reduction in domestic production is associated with lower prices to farmers because of increased costs of disposal of waste materials, then this fact and the water pollution aspect, as well as the cost to farmers, shall be taken into account in determining the need for an increase in duty or for a quantitative limitation on imports.

Our purpose is to show that section 22 of the Agricultural Adjustment Act, as now interpreted, provides no protection for many dairy products. The interpretation used by the United States Department of Agriculture has already allowed the casein industry to become almost extinct. Other segments of the dairy industry are in danger of extinction if the law is not strengthened, or differently interpreted.

Section 22, as we read it, provides the criteria for mandatory action as follows:

Section 22 says that "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 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. * * * 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, * * *."

"If, * * *, the President finds the existence of such facts, he shall by proclamation impose such fees, * * * or such quantitative limitations * * * as he finds and declares shown by such investigation to be necessary * * *."

It appeared from the criteria of section 22 that the necessary showing for any product of milk was that imports had increased and production had decreased. This showing was made in a request for an import quota on milk sugar dated April 21, 1953.

The data on imports and production to date are as follows:

Imports and production of milk sugar

(In thousands of pounds)

Year	Imports	Production in United States
1950 ¹	804	39,252
1951.....	1,592	50,156
1952.....	2,968	33,645
1953.....	2,272	25,924
1954 ²	2,623	-----

¹ Imports started the year after European currency devaluation in 1949.² 12 months ended November 1954, latest data available.

Imports for the 6 months ended November 1954 were 1,476,000 pounds as compared with 841,000 pounds for the same period in 1953.

The criteria of section 22 were met. Imports of milk sugar have risen and are continuing to rise. Production is declining.

If this trend is continued the result will be the same as for casein. Casein production exceeded 20 million pounds in 1951, but is now reduced to 5 or 6 million pounds because of the pressure of imports.

Request for quota denied

The petition for an import quota was denied for reasons given in the following letter.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., October 27, 1953.

Mr. GORDON W. SPRAGUE,
Western Condensing Co.,
Appleton, Wis.

DEAR MR. SPRAGUE: The request contained in your letter of April 21 for restriction of imports of milk sugar (lactose) to the level of 1950, at the average of imports for the 5 years 1948-52, pursuant to section 22 of the Agricultural Adjustment Act, as amended, has received our careful consideration. We have made an investigation on the basis of the information submitted by you, together with other available data. Our investigation indicates that there is not sufficient justification for action under section 22.

It also shows that, regardless of whether we restrict imports of milk sugar, there is no prospect of an immediate increase in prices of either dried whey or milk sugar that will result in a substantial increase in prices of liquid whey and in prices to producers for milk. Prices to cheese factories for liquid whey have declined during the past year and factories now are receiving little or nothing for it. This has caused a corresponding decrease in prices to producers for milk used in making cheese and liquid whey. All of the decline in price of liquid whey, however, apparently is accounted for by the decline in prices of dried whey which would not be increased by the proposed action.

The investigation discloses that a decrease in the quantity of liquid whey processed into dried whey and milk sugar, as a result of increasing imports of milk sugar, would intensify the serious whey disposal problem and increase the whey disposal costs of many factories. There does not appear to be, however, sufficient evidence to warrant action under section 22 on the grounds that these costs would in general interfere with the price-support program for milk to a material degree.

Sincerely yours,

TRUE D. MORSE, *Under Secretary.*

The letter first denies the authority to act under section 22. We are, therefore, asking that section 22 be amended to be effective for all products manufactured from milk or butterfat or products thereof.

The letter also says that no price increase will result from an import quota. But the price of milk sugar has a direct bearing on the value of whey, and surely section 22 was also designed to prevent deterioration in prices and markets due to imports. This position needs to be clarified.

There has been further deterioration in the market for milk sugar since October 1953 and the value of whey has decreased.

The letter refers to the falling price of dried whey as the total source of decline in the price of milk. But each pound of milk sugar produced reduces the

supply of dried whey by 1 pound. A weakening of the milk-sugar demand will therefore increase the supply of dry whey and reduce its value. Section 22 needs clarification to cover this type of relationship.

The last paragraph admits that backing up of liquid whey would increase cheese-factory-whey disposal costs. It follows, therefore, that importation of milk sugar tends to render the price support for milk and butterfat ineffective. When the price effect of imports is great enough to cause declining domestic production, it should be considered material.

On April 22, 1954, the Secretary announced a program to dispose of nonfat dry-milk solids for animal feed.

On May 24 the Department of Agriculture announced a limited nonrecourse-loan program to support the price of products of whey. The legal basis for a quota on milk sugar was thus strengthened by a new price-support program for dry whey. Import quotas such as those on nonfat dry-milk solids and dried buttermilk seemed reasonable.

A second request for quota was filed with the United States Department of Agriculture on November 11, 1954. This request pointed out the additional danger of further increased milk-sugar imports because of export of dry whey purchased under price support. Such whey, partly converted into milk sugar, will displace whey and sugar manufactured and used abroad. The evidence is strengthened by the fact that dry whey is being exported to Netherlands, the principal foreign producer and exporter of dry-whey products. Following is a copy of the second letter of application:

NOVEMBER 11, 1954.

Mr. JAMES A. McCONNELL,

*Administrator, Commodity Stabilization Service,
United States Department of Agriculture, Washington, D. C.*

DEAR Mr. McCONNELL: This is a request for an import quota for each of the products manufactured from whey, but particularly for milk sugar. It is made pursuant to regulation, part 6, sections 6.3, as published in the Federal Register of September 16, 1952. The request is for an import quota under the provisions of section 22 of the Agricultural Adjustment Act of 1933, as amended.

Imports of milk sugar during the months of 1954, for which reports are available, are at a higher level than those for the same months of 1952, the year of highest imports. You are selling dried whey for export under the price-support program. This dried whey can, and almost certainly will, be converted into milk sugar and other products. Some of these products will be shipped back to this country, or will displace other products in the markets of the world, which other products will come to this market. Importation of any of these products manufactured from whey is inconsistent with the price-support program and defeats the purpose for which the whey procurement program was undertaken. It is requested that the Secretary discontinue the sale of whey from the inventory at hand until such time as import quotas can be established for products of whey, which import quotas will protect farmers from further encroachment on their markets by foreigners who have merchandise manufactured out of the Commodity Credit Corporation inventory for distribution.

Yours truly,

GORDON W. SPRAGUE.

This application was denied by letter dated December 31, 1954, copy of which follows: We call attention to paragraph 2. Evidence will be presented to show that milk sugar is important to the price of milk.

Paragraph 3 indicates again that a rise in the price of milk was considered an essential criteria. Again we believe section 22 is useful to prevent market weakness when caused by imports and price increase should not be a necessary criteria.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., December 31, 1954.

Mr. GORDON W. SPRAGUE,

*Western Condensing Co.,
Appleton, Wis.*

DEAR MR. SPRAGUE: Your request of November 11, 1954, that imports of milk sugar (lactose) be restricted under section 22 of the Agricultural Adjustment Act, as amended, has received careful consideration.

Analysis of all available information, including the material submitted by you, shows no evidence that imports of milk sugar are materially interfering with the Department's program for supporting prices to producers for milk and butterfat.

According to available information, there would be no substantial increase in the price of liquid whey and in prices to producers for milk and butterfat even if imports of milk sugar were embargoed.

The present investigation indicates that conditions have not changed sufficiently since the earlier investigation in 1953 to warrant action under section 22 to restrict imports of milk sugar.

Sincerely yours,

EARL A. BUTZ,
Assistant Secretary.

Some facts about milk sugar

One hundred pounds of milk, manufactured into cheese, can be used to produce about 2 pounds of milk sugar. It follows that a reduction in production of milk sugar amounting to 1 million pounds directly affects 50 million pounds of milk.

Imports of milk sugar weaken the domestic market, an outlet for 25 to 30 million pounds of whey solids in the form of sugar. Weakening this market affects 1.25 to 1.50 billion pounds of milk.

Each pound of sugar manufactured reduces the supply of dry whey by 1 pound. In 1953 production of dry whey amounted to 175 million pounds and milk sugar 26 million pounds, making a total of 201 million pounds of dry whey solids. Shifting milk sugar back into dry whey because of the imports of milk sugar, weakens the dry whey market. This would affect the market strength of all whey solids, either dry or condensed, which in total applies to about 5 billion pounds of milk.

It is desirable, therefore, to utilize as much liquid whey as possible to increase the farmers' return from milk and relieve farmers of the cost of other disposal.

The relationship of whey prices to the price of milk

Cheesemakers add their income from whey to their income from cheese and whey cream in determining the prices paid to farmers for milk. Milk sugar contributes value, through whey, to milk used for manufacturing cheese.

The following data were taken from the report of a cheesemaker in Wisconsin. Reports are returned to farmers each month, with the milk check, to show the source of the cheesemakers' income.

[In cents]

Factory price report	December 1952	January 1953	June 1953
Price per pound of cheese.....	39.3	38.8	34.9
Whey cream per 100 pounds of milk.....	21.1	20.1	17.3
Whey per 100 pounds of milk.....	7.1	2.6	.8
Price per 100 pounds of milk, net.....	378.7	359.8	320.6

This accounting shows that the income from whey sales per 100 pounds of milk received by the cheesemaker dropped 6.3 cents between December 1952 and June 1953.

Since June 1953 there has been no important reduction in prices, already at the vanishing point. Changes since that time have been in the form of production curtailment which returns the disposal problem with its cost from the whey manufacturer to the cheesemaker and the farmer.

Further to the question of farm milk price, there follows some data on the relationship of cheese factory income and income for whey for the years 1951 to 1954. These data were taken from the annual statements of 11 cheese factories operating in Wisconsin.

Income from cheese sold and whey sold in 11 cheese factories

Year	Average income for cheese	Average income for whey	Whey income as percentage of cheese income
1951.....	\$264, 565	\$3, 111	<i>Percent</i> 1. 18
1952.....	277, 373	4, 327	1. 56
1953.....	274, 479	779	. 28
1954.....	262, 676	744	. 28

The factories above sold their whey. These data do not reflect the income situation for cheese factories which no longer find a market for whey and now are paying the additional cost of disposal.

When the price for milk is \$3.50 to \$4 per hundred pounds, as was the case during 1951 and 1952, then the price of whey, at 1.2 percent or higher, added about 5 cents per 100 pounds of milk to the farm price. In 1953 and 1954, with milk at about \$3 per 100 pounds, the contribution from whey at 0.28 percent was less than 1 cent per hundred pounds.

Whey disposal problem national in scope

The attached table shows cheese production in selected States and for the United States. This table was compiled to show that most States have a cheese and whey production. Each pound of cheese listed on this page was accompanied by about 9 pounds of whey in the manufacturing process. This shows that in 1953, the latest year for which complete data are published by the Department of Agriculture, more than 12 billion pounds of whey were available from the production of whole milk cheese.

The United States Department of Agriculture also reports 2,541 million pounds of skim milk used in producing cottage cheese curd manufactured in 1953, including every State except Rhode Island.

Each 100 pounds of skim milk used in the manufacture of cottage cheese yields about 80 pounds of whey. The 2,541 million pounds used would yield about 2 billion pounds of whey.

The whey problem exists in every State.

Utilization should be encouraged for solution of the problem. Failure to utilize whey emphasizes the problem of stream pollution. Liquid whey, which is not fed directly to farm animals or manufactured into some useful product, must be either returned to the sewers and streams, or some other method of waste disposal must be discovered. This is costly and must be paid for out of the income of farmers who produce the milk.

*Cheese: Production in selected States and total United States production,
1949 to 1953*

[In thousands of pounds]

State	1949	1950	1951	1952	1953
Alabama.....	3,006	2,975	2,291	2,535	3,453
Arkansas.....	11,201	12,704	11,489	11,318	15,571
California.....	10,320	10,136	11,201	11,749	13,508
Colorado.....	1,259	2,042	993	445	2,480
Idaho.....	22,686	20,895	20,077	21,184	26,732
Illinois.....	77,704	79,850	72,409	76,830	91,886
Indiana.....	37,882	35,919	35,043	33,082	43,097
Iowa.....	9,234	11,312	11,716	11,406	18,213
Kansas.....	8,880	9,956	8,857	7,790	11,610
Kentucky.....	23,033	24,910	24,411	26,143	33,685
Massachusetts.....	2,378	2,619	2,565	2,691	2,787
Michigan.....	24,264	28,638	29,055	31,497	35,017
Minnesota.....	54,061	52,329	57,782	65,411	82,628
Mississippi.....	11,142	11,867	10,161	11,566	15,875
Missouri.....	56,378	63,767	59,668	62,091	85,603
Montana.....	2,818	2,948	2,810	2,811	4,007
New Jersey.....	1,136	1,808	2,155	2,106	2,857
New York.....	73,405	87,582	93,741	95,218	93,545
Ohio.....	36,998	45,773	40,918	38,306	46,133
Oklahoma.....	12,566	9,756	8,384	7,858	10,270
Oregon.....	26,570	24,890	22,490	22,214	25,260
Pennsylvania.....	10,919	12,073	11,221	9,133	9,989
Tennessee.....	40,091	41,987	37,388	36,756	47,771
Texas.....	9,217	5,093	3,544	3,825	5,504
Utah.....	11,687	12,246	11,073	10,347	11,849
Vermont.....	3,398	5,109	5,810	7,399	6,572
Washington.....	6,824	5,888	4,047	4,065	4,754
Wisconsin.....	502,104	557,951	551,553	547,022	584,732
Wyoming.....	1,557	2,124	2,022	1,992	.....
Total, United States ¹	1,098,366	1,191,487	1,160,926	1,170,262	1,344,836

¹ The sum of the States listed will not be equal to total United States production due to the fact that the selected States do not include all production.

Senator MALONE. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 9:10 p. m., the hearing was adjourned, to reconvene at 10 a. m., March 17, 1955.)

TRADE AGREEMENTS EXTENSION

THURSDAY, MARCH 17, 1955

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

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, George, Long, Smathers, Barkley, Millikin, Martin, Williams, Malone, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The first witness is the Honorable Strom Thurmond, United States Senator from South Carolina.

If you will pardon me a moment, I have been requested by Senator Saltonstall to read a letter presenting the views of the Massachusetts textile industries for the record. It says:

HON. HARRY F. BYRD,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: May I take this opportunity to write you briefly concerning H. R. 1 and the interests of Massachusetts textile industries whose representatives are testifying before you this morning. I wish I could be present myself, but I cannot because I have long-standing engagements in Boston on this day. This is, as you know, Evacuation Day and St. Patrick's Day—an occasion much commemorated annually in Boston.

However, I would like briefly, through this letter, to join with the witnesses and to say that I trust your committee will give its most thoughtful and particular consideration to several sections of this bill.

H. R. 1 is an integral and basic part of the President's foreign economic program. Properly and equitably implemented, it can be of much value to the people of our country and, indeed, to those of the entire free world. It is absolutely essential, however, that, as we continue to work to build up and enlarge our foreign trade channels on a reciprocal basis, we not neglect the prosperity of our native American industries and the future security of the thousands of good citizens who work in our industries. In building up our foreign trade, we must be mighty careful not to tear down our domestic industrial life and damage it beyond repair.

I am reliably informed by the counsel for the Associated Industries of Massachusetts, an association representing approximately 90 percent of all our industries in Massachusetts, that in terms of total employment in these industries, we estimate upwards of 54 percent of Massachusetts workers are in industries likely to be affected in whole or in part by further tariff reductions.

In this connection, I would like to emphasize that the peril-point and escape-clause sections of this legislation are essential. You may in your wisdom well consider how they may be strengthened by giving the recommendations of the Tariff Commission greater weight in any final decisions that may be made.

The Massachusetts textile industry is particularly concerned with two things. First, President Eisenhower, under the terms of H. R. 1 has certain powers with relation to reducing tariffs for a term of 3 years and at not more than 5 percent a year. This authorization has been qualified by him in his letter to

Congressman Joe Martin of Massachusetts in which he writes: "No American industry will be placed in jeopardy by the administration of this measure" and, again, "You know, too, that this program will be selective in application, for across-the-board revisions of tariff rates would poorly serve our Nation's interests. The differing circumstances of each industry will be and must be carefully considered." In these words we have President Eisenhower's assurance concerning the powers which he may exercise under section 3, paragraph D, of H. R. 1. Why is it not wise, in view of these assurances of the President, to extend the act for 2 years instead of 3, so that Congress can again consider the problem in the light of conditions then existing?

Secondly, the Massachusetts textile industry is concerned with the broad powers provided for administration under section 3, paragraph E, page 5, of H. R. 1. This represents a real worry to the textile industry, which is in such heavy competition with Japanese industry. I hope your committee may consider whether or not this paragraph may not properly be so amended as to place that Japanese competition on the same level with those prescribed in other sections.

Mr. Chairman, I earnestly hope that your committee may strengthen H. R. 1 in such a manner and to such a degree that our textile and other industries in Massachusetts vitally affected by the tariff may not be wiped out, or their business so much diminished that many of our employees will be without work and so forced to leave their homes and those gainful occupations that they have built up so hopefully over the years.

Sincerely,

LEVERETT SALTONSTALL,
United States Senator.

The CHAIRMAN. I beg your pardon, Senator, but Senator Saltonstall could not be here, and he asked me to read this letter.

Senator MALONE. He doesn't mention any names in the letter, does he, just the representatives that are here?

The CHAIRMAN. Well, his letter, Senator Malone, covers his position, as I understand it, on this bill H. R. 1. I would be glad to give it to you to read.

Senator MALONE. I was under the impression that it mentioned some names.

The CHAIRMAN. It didn't mention any names. He mentioned the counsel for the Associated Industries of Massachusetts by title. Anyway, the letter represents Senator Saltonstall's views, as I understand it, on H. R. 1, and he was unable to be present here.

Proceed, Senator.

STATEMENT OF HON. STROM THURMOND, UNITED STATES SENATOR FROM SOUTH CAROLINA

Senator THURMOND. Mr. Chairman, it is a pleasure for me to appear before this Finance Committee which has such a distinguished chairman and so many distinguished members. I have an engagement with the Secretary of Agriculture within a short time after I finish here, and if the chairman will pardon me, I will depart at that time.

Mr. Chairman, I am sure all of us agree as to the far-reaching consequences of the proposals under discussion and their grave importance to our country.

But let us keep foremost in mind, Mr. Chairman, that consideration of H. R. 1 cannot be confined to that measure alone. This subject is bound to our present agreements and commitments. It lies under the constant shadow of the General Agreement on Tariffs and Trade. Whatever happens at Geneva during the GATT conference which is

now in progress and which is being held under existing authority granted to the President, will unquestionably alter the effects of H. R. 1 if that bill should pass in its present form.

The list of items prepared by the State Department for the negotiations at Geneva was published last November. A glance at the list will remove any doubts as to which American industries, which businesses, and which groups of employees stand to be affected by these matters of trade policy determination. The hundreds of items represent a broad listing of American small-business operations.

During the course of this hearing, the representatives of many of these industries have expressed their views and of course you have heard the opinions of persons from outside these industries. Today you will hear from the official spokesman of the industry which, with the people it employs, is exposed more than any other major industry to possible sacrifice on the altar of so-called reciprocal trade.

This is true because the list of cotton items now on the Geneva bargaining table comprises almost the entire production of the American cotton textile industry. This is also true because of the peculiar circumstances of postwar trade which have made the cotton textile industry more vulnerable than any other to tariff-reducing provisions of H. R. 1 in its present form.

You are not dealing here, Mr. Chairman, with a specialty business nor one engaged primarily in producing luxury and nonessential goods. Nor is this an industry confined primarily within the boundaries of the United States.

The witnesses who will follow me today speak for 1 of the top 5 of the manufacturing industries in the whole country which employs more than a million persons (1,083,700 according to official February figures for the textile mill products industry). Another million, two hundred thousand are employed in the closely allied apparel industry.

Nationally, the invested capital is in excess of \$8 billion. The annual payment in textile wages and salaries is \$3 billion.

This industry is the primary and largest consumer of this country's cotton crop. It pays approximately \$2 billion each year for American-grown fiber.

This industry and the people employed in it are vital for supplying one of man's basic needs, clothing. I feel compelled to remind the committee, Mr. Chairman, of the vital security role which this industry holds in supplying our Armed Forces with clothing and military fabrics in literally 10,000 varieties.

Measured by any standard, therefore, the textile industry and its workers are vital to our Nation. But when you find it becoming concentrated in one region—an area which like the South is largely rural—its importance grows even greater in significance. Approximately 1 out of every 2 people engaged in manufacturing in the 2 Carolinas is in textiles. Hundreds of businesses in my own State of South Carolina are dependent upon the activity of the textile industry.

Let me cite a few reasons why the textile industry is so important to my people in South Carolina. These figures are the latest available and have not been published.

South Carolina's population is slightly more than 2 million people. Of this number 186,435 persons are employed in 1,958 plants of all the industries operating in the State.

Senator GEORGE. How many did you say, Senator?

Senator THURMOND. 186,435 persons are employed in 1,958 plants of all the industries operating in the State.

In the textile industry 127,250 persons are employed in 320 plants. Thus, the textile industry accounts for approximately 68 percent of all industrial employment in South Carolina.

Senator MARTIN. Senator, that means that the textile and cotton industry takes care of approximately one-fourth of your people. You have got a population a little over 2 million.

Senator THURMOND. Yes, sir.

Senator MARTIN. 127,000 workers, 4 to a family, that would mean you have approximately one-fourth of your population that depends on it.

Senator THURMOND. Yes, sir. And 68 percent of all industrial employment is provided by the textile industry in my State.

Senator GEORGE. Have you got the figures on Georgia?

Senator THURMOND. No, sir.

Senator GEORGE. I think it is about 100,000 in Georgia. Our population is bigger than yours. I think it is about 100,000 in cotton textiles. You are over 100,000 in cotton textiles.

Senator THURMOND. I am sure in the State of Georgia that you would have more than 100,000.

Mr. Chairman, to divert here for just a minute, I would like to call attention to the letters which I have received. Every one of these letters is a personal letter that is on this desk, they are personally written, they are not circulars. They may have been inspired—I presume that they were—some of them, anyway—but at any rate the textile employees in my State are aroused as I have never seen a group of people before.

Senator MARTIN. Mr. Chairman, may I make this observation. I understand—at least, we read it in Northern newspapers—that the people of South Carolina can write. [Laughter.]

Senator THURMOND. We are very proud of the literacy of the people of South Carolina. We are very proud of the high standing of our State as to literacy. Thank you very much, Senator.

I think these thousands of letters—and this is not all of them that I have received—on this table, every letter and card—here is one batch, for instance, that was personally written, a different wording from several hundred—here is another batch of several hundred, here are thousands of letters that I have received on this subject. I have a petition here from 1 mill and 1 community where each name has been personally signed. I have a petition here 14 yards long signed by 1,500 people from 1 mill in 1 community alone. I just wanted the committee to visualize the gravity of the situation in my State with regard to the textile employment and how our people feel they are going to be in jeopardy in this type work if the bill passes as now written.

The textile industry pays 71 percent of the annual total industrial wages and salaries of approximately a half billion dollars. As I stated, the textile industry accounts for approximately 68 percent of all

industrial employment in my State, and it pays 71 percent of the annual total industrial wages and salaries of approximately a half billion dollars.

The textile industry also has a capital investment of a half billion dollars in South Carolina and is rapidly expanding.

While the total value of all products manufactured in my State amounts to more than two and a quarter billion dollars per year, the textile industry alone turns out products valued at one and a half billion dollars.

Mr. Chairman, these figures make it amply clear why I am so concerned about the people who are provided a livelihood by the textile industry and in the continued healthy activity of the industry.

My most sincere conviction is that the people of the textile industry merit equitable treatment with all other people and industries. They should not be subjected to the risks immediately threatened by H. R. 1 and the current negotiations at Geneva.

This committee has the facts on the enormous wage differential existing between American industry and the industry of the Orient. The record shows that Japanese textile can enter this country at will in spite of present tariffs and present domestic prices.

Official reports show that Japan in 4 short years has risen to the position of the world's leading exporter of textile goods. The American industry's present net of export business over imports is a very tentative and perhaps transitory circumstance.

This data simply adds up to the fact that the textile industry is in a mighty precarious position.

I favor the principle of reciprocity and share the hope that America will continue to lead the effort to bring about a system of sound, expanding international trade. But I am disturbed by the slowness of our international trade machinery to persuade many nations that they should live up to the meaning of reciprocity.

As so often happens, practice turns out to be different from theory. My urgent request is that the Senate consider this problem in the light of hard practicality.

H. R. 1 in its present form contains provisions which would do injustice not only to the textile industry but also to many other types of American enterprise. For that reason I would be unable to cast my vote in favor of it, unless amended.

Mr. Chairman, yesterday a group of Senators interested in this problem met and together discussed ideas for amendment of certain sections of H. R. 1.

Due to the fact that several interested Senators were unable to be present at the meeting yesterday, I would like to reserve the right to return later to this committee and file with you the ideas we agreed upon for suggested amendments to H. R. 1. And this can be done within a day or two.

(The following amendments and statement were subsequently submitted for the record:)

H. R. 1

COMMITTEE ON FINANCE, UNITED STATES SENATE

Senators Thurmond, Ervin, Sparkman, Hill, Purtell, Aiken, Pastore, Stennis, Scott, Green, Bridges, Cotton, Payne, Johnston (South Carolina), Daniel, Smith (Maine), Flanders

AMENDMENTS

1. On page 4, line 13; page 6, line 20; page 6, line 22; page 7, line 10; and page 10, line 9: Strike out the word "July" and insert in lieu thereof the word "January".
2. On page 4, line 14: Strike out line 14 through line 25 on page 4 and line 1 through line 2 on page 5 and renumber clause "(iii)" on page 5, line 3, as "(ii)".
3. On page 5, line 24: Strike out the subparagraph lettered "(E)" in its entirety.

MEMORANDUM ON SUGGESTED AMENDMENTS TO H. R. 1

On March 16 several Senators representing leading textile-producing States in New England and the Southeast met to discuss problems of the textile industry as related to certain provisions of H. R. 1 as passed by the House. Three amendments were tentatively agreed upon for sponsorship by a number of Senators.

Attached on a separate sheet is specific proposed language for the three amendments, identified as Nos. 1, 2, and 3. A brief discussion of each amendment, and the justification for it, follows.

Basically, all three amendments are aimed at the same objective: to make the bill what its proponents advertise it to be—a 3-year extension of the President's authority to enter into trade agreements, with new power to cut existing tariff rates by up to 5 percent during each of the next 3 years. Actually as passed by the House, H. R. 1 makes it possible to cut existing tariff rates on cotton textiles by as much as 57½ percent.

Amendment No. 1

The House bill sets July 1, 1955, as the base date for figuring tariff reductions under its 15 percent duty-cutting authority. But between now and that date, rates subject to change in the current tariff negotiations at Geneva may be cut by amounts ranging up to 50 percent. Some 90 percent of the cotton textile industry's production is subject to possible tariff reductions at Geneva of 50 percent. No one knows what cotton textile tariff rates will be on next July 1. Other major industries are not involved in the Geneva negotiations to a comparable extent and so know what their tariffs will be on July 1 and hence can calculate the effect of H. R. 1 on them. Amendment No. 1 is designed to correct this inequity by changing the base date from July 1, 1955, to January 1, 1955.

Amendment No. 2

The provision in H. R. 1 authorizing the President, through trade agreements, to cut by as much as 50 percent the tariff rates of January 1, 1945, on those items being imported not at all or in "negligible" quantities is vast in its scope, although little publicity has been given this section of the bill. Under such provision, for example, practically all textile tariff rates might well fall.

Who is to determine what is a "negligible" quantity? And even if this provision is strictly interpreted by the administrators of H. R. 1, is it not quite possible, nevertheless, that a cut of 50 percent in such rates will lead to a tenfold expansion in imports of the items involved?

Amendment No. 2 is designed to correct this inequity by eliminating this provision from the bill.

Amendment No. 3

The general rule in H. R. 1 grants authority to reduce existing duties by 15 percent (5 percent per year) but an exception is made in subparagraph (E) of section 3 (a). It authorizes the President on and after June 12, 1955, to reduce duties by 50 percent of those existing on January 1, 1945, on those articles which are on the list of items being negotiated with Japan at Geneva.

The principal industry now being negotiated at Geneva is the textile industry and, by and large, the whole 50 percent reduction is available. It is unfair to segregate an industry which is unfortunate enough to be currently on the bargaining table and authorize a much greater cut in its duties than is allowed for the rest of the American industry.

The exception goes even further, however, than merely discriminating in the amount of reductions. Subparagraph (E) contains a different test to guide the President. It grants authority to reduce rates by 50 percent "if the President

determines that such decrease is necessary in order to provide expanding export markets for products of Japan (including such markets in third countries)."

It is apparent that the test of subparagraph (E) is designed exclusively to aid Japan without reference to the welfare of our domestic industry and hence is contrary to the general principles of this legislation. As a matter of statutory construction, the specific controls the general. It is patently obvious that decreases in our duties would "provide expanding export markets for the products of Japan." It can also be argued that this special test in subparagraph (E) nullifies both the "escape" and "peril-point" provisions of the current act and leaves the textile industry exposed to great damage and unemployment.

Amendment No. 3 is designed to correct this inequity by striking the provision from the bill.

Senator THURMOND. I am informed that the witnesses who are to follow me here today will make certain suggestions along the lines the group of Senators discussed to improve this proposed legislation in the national interest. They will further present the involved problems which would be created if H. R. 1 were not amended. They also can supply the answers to technical phases of the matter. I shall appreciate your careful consideration of the information to be presented.

Thank you for your consideration in hearing me.

The CHAIRMAN. Thank you very much, Senator.

The Chair understands that you have to leave to keep another engagement.

Senator THURMOND. I have an engagement with the Secretary of Agriculture, and if you would permit me to leave, I would like to do so at this time.

The CHAIRMAN. Thank you very much for your presentation.

Senator MALONE. May I say, Mr. Chairman, I think he has made a wonderful witness, and understands this bill.

Senator THURMOND. Thank you.

The CHAIRMAN. The next witness is Mr. Claudius Murchison.

STATEMENT OF CLAUDIUS MURCHISON, THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.

The CHAIRMAN. You represent the American Cotton Manufacturers Institute?

Mr. MURCHISON. That is right, sir.

The CHAIRMAN. I understand that you will deal with one aspect of this matter and Mr. William Sullivan, of the National Association of Cotton Manufacturers, will deal with another.

Mr. MURCHISON. Yes, it will be divided between the two of us. And in addition, Mr. J. Craig Smith, president of Avondale Mills, would like to make a brief statement.

Senator BARKLEY. Would you mind telling us what the American Cotton Institute is?

Mr. MURCHISON. It is the overall trade association of the cotton industry and includes in its membership about 85 percent of the spindles and looms engaged in the processing of cotton itself.

Senator BARKLEY. The institute itself is not engaged in the manufacturing business, is it?

Mr. MURCHISON. No; we are merely the trade association.

Senator BARKLEY. Is your membership distributed over the entire United States?

Mr. MURCHISON. Our membership extends from Maine to Texas, but in the northeastern section of the country we have another association, the Northern Textile Association, as it is now known, formerly the National Association of Cotton Manufacturers. The membership of the two associations to some degree overlaps. But that portion of the industry not included in the American Cotton Manufacturers Institute is included in the National Association of Cotton Manufacturers.

And for that reason, Mr. Chairman, we should like for the committee to regard the presentations of these two associations today as being in the nature of a joint statement. Mr. Smith and Mr. Sullivan are here.

The CHAIRMAN. I think that is a very satisfactory way to present it.

Mr. MURCHISON. So I will yield the floor to them after making my presentation.

To save time, Mr. Chairman, I am omitting the actual reading of page 1 of the statement.

(P. 1 of the statement referred to follows:)

THE TRADE AGREEMENTS EXTENSION ACT OF 1955, H. R. 1

H. R. 1 is based on the theory that it will greatly increase American imports. It is claimed that, in this way, we would strengthen the free world, vanquish communism, hasten the return of currency convertibility, and solve the problem of American surpluses.

In our judgment the exact opposite would be the more likely result. If tariffs are reduced below a level commensurate with the price and wage structure of American industry, or any important segment of it, the long-range result will be a destruction of trade. The first result of course, will be like the the breaking of a dam. The onrushing flood will soon be spent. But in its wake there will be mud flats, corroded factories, and ruined villages.

Industries whose home markets are destroyed by a flood of imports will not be buyers of domestic or foreign materials. And workers who are deprived of wages are not buyers of foreign goods at any price. And it must also be remembered that an industry does not live by itself. When it falls it carries down other industries with it. The succession of repercussions has no end until it has traversed the entire economy. The final result could be a death blow both to imports and exports.

The growth of imports and exports should reflect the growth of the Nation and find their mutual adjustments in the orderly processes of trade. Artificial stimulation of imports by tariff slashing under present conditions is wholly unrelated to the needs or wants of our country, and cannot be justified by the needs or wants of other countries.

Mr. MURCHISON. I wish to say in lieu of page 1 that we are here to discuss constructive changes in H. R. 1. We are not here to condemn the principle of the bill or the entire bill. The changes which we regard as desirable depend on whether we regard this bill as an urgent emergency measure, or one devoted to a sound, long-range program.

To decide this, we think it important to view the most recent developments in these countries we are concerned about. This informa-

tion has not previously been presented to this committee or to the Committee on Ways and Means, because most of it has become available only within the past 2 or 3 weeks, some of it within the past few days.

Let us take a look at these other countries. Viewing first the United Kingdom and the countries of Western Europe, the President's economic report has only the most glowing language for that area.

Industrial production reached an all-time record level, rising 8 percent from the third quarter of 1953 to the third quarter of 1954. In the 2-year period, 1952-54, the rise of Western European production, including all OEEC countries was 15 percent.

As examples, Germany was up 22 percent; Italy, 22 percent; Netherlands, 19 percent; United Kingdom, 15 percent; and even France was up 8 percent. While the United States was sagging in 1954, all these Western European countries were enjoying expanding and record-breaking prosperity. Their overall export trade went up in proportion, as did the total of world trade. Nowhere was unemployment a problem, and in most of these countries there was maximum employment coupled with general complaint about the scarcity of labor. This happened while we were officially sounding the alarms, instead of being elated, over the decline of our foreign gratuities. Astonishingly enough, while these foreign countries boomed and we sagged, the clamor for American tariff reductions went unabated and was actually accelerated.

Viewing the great underdeveloped areas of the world, we find that on the average they are better off than at any time in history. The problem spots are few and are occasioned either by natural causes such as crop failures, or by internal economic policies, or by political disturbances, as in southeast Asia. In not a single instance is corrective action within reach of American tariff policy.

In the Near East, Turkey alone is the weak spot, and this is due to special reasons, most of which are temporary and unrelated to external trade. All that the United States can do there is being done with direct economic and military aid.

In the great area of Latin America, progress has been tremendous. In the case of Venezuela and Colombia, it has been phenomenal. The only Latin American countries in financial difficulties are Chile, Bolivia, and Argentina. The reasons for the Argentina plight are well known. Chile and Bolivia, dependent primarily on copper and tin, which are tariff free, are being helped by American stockpiling. Brazil, traditionally subject to unsound fiscal policies and external borrowing, is nevertheless one of the most dynamic and active economies in the world. She has full employment and virtually unlimited basic wealth.

In our analysis, the overriding fact about Latin America is that their exports to the United States are already tariff free, or almost so, with the exception of sugar and wool, for obvious reasons. Moreover, the trade balance of that area with the United States is exceedingly favorable and there is no dollar problem except when dollars are used to meet deficit positions with other countries.

As regards the underdeveloped area of the Far East, as well as Oceania, American tariffs are very kind. Virtually all our imports

from that area, again excepting sugar and wool, are either on the free list or pay purely nominal duties.

In summary, it is noteworthy, but commonly overlooked, that American tariff policy is not of significance in the great underdeveloped areas of the world. We buy from them far more than they buy from us, which means all we can possibly use, or all they can send us and without tariff impediment.

Against this background of fact which is highly pertinent to H. R. 1, let us view the trade and exchange position of the United States. It is commonly assumed that we have a highly favorable trade balance and must give away, or lend, dollars to compensate for lack of imports due to high tariffs. On the contrary, our trade balance, overall, is highly unfavorable and has been so since 1949.

The general public thinks of trade as consisting only of merchandise, and since the monthly trade reports cover only merchandise exports and imports, the impression is created that the excess of exports is a measure of the total trade situation. Instead of correcting this misconception, most of the lower tariff advocates appear to confirm and exploit it for their purposes. When the true international payments balance is computed, a startling correction of the popular fallacy is revealed.

In 1954, foreign countries had a net balance of 1.7 billion in gold and dollar assets earned from their transaction with the United States.

In 1953 the net foreign accumulation of gold and dollar assets from United States transactions was 2.3 billion. Summing up for a longer period the Department of Commerce reports:

The total of net gold and dollar payments to foreign countries since 1950 amounted to 9.5 billion and, therefore, more than offset the net gold and dollar payments by foreign countries to the United States during the early postwar years which amounted to 7.1 billion.

The enormous increase of foreign gold and dollar reserves, averaging about 2 billion per year since 1949, brings the total of such reserves to about \$25 billion, which, says the President's Economic Report—
are more evenly distributed in relation to trade volume and international liabilities than at any other time in recent decades.

Please note it doesn't say in the postwar period; it says "any other time in recent decades."

The distribution is: Continental Western Europe, 11.2 billions; sterling area, 4.3 billion; Canada, 2.6 billion; Latin America, 3.6 billion.

The illusion of dollar scarcity has a companion fallacy in the widely accepted doctrine that the United States "should act as befits the world's greatest creditor nation." This is used as a major argument for lower tariffs. But in what respects is the United States a creditor nation, and by how much, and what is the significance factually viewed?

As we have just seen: the United States is not a creditor nation on current account. Its annual deficit is not only greater than that of any other country, it is about as great as the combined deficits of all other deficit countries.

In longtime account—that is on capital account—the credit balance of the United States Government is relatively small, amounting only to about \$10 billion; 80 percent of this debt is owed by the United Kingdom and Western Europe; even more significant, 60 percent of

it by the United Kingdom and France. The biggest single item is the 3.75 billion loan to Britain of 1946. About 25 percent of the total represents nothing more than unpaid balance on postwar transfers of surplus property and on lend-lease accounts, many of which are probably in the dubious category. Another 25 percent of the total are credits extended by the Export-Import Bank, most of which are self-liquidating, or indefinitely renewable, and constituting no problem.

The grand total is less than 4 percent of the national debt of the United States but we can be sure it is reflected in the national debt of the United States. It is in fact less than the dollar balances now held in New York on foreign account, which approximate \$11 billion.

And the heavy dollar balances have been built up, not only after the payments on this debt, but also after debt payments to the International Monetary Fund, the World Bank, the EPU, after heavy repurchases of foreign securities held in the United States, which bring down these balances, after large purchases of long-term American securities and after a considerable volume of direct foreign investment in the dollar area.

Now, what of the creditor position of the United States, as regards direct private foreign investment? The total of such investments is around 14 or 15 billion, as reported by the Department of Commerce. We place that much money every 6 months, merely as new investment in the economy of the United States. Does it raise a problem abroad? It has revolutionized the economies of Canada, Venezuela and Colombia, and breathed new life in many other areas.

The Department of Commerce says our direct foreign investments in the period 1946-52 financed 17 percent of United States net exports, provided more than one-half the funds for new foreign investment, accounted for one-fourth of our total imports, left 500 millions net earnings abroad for expansion of subsidiaries and paid several hundred millions annually as taxes to foreign governments. That is the creditor position of the United States.

Meanwhile, foreign nationals have been building up counterinvestments in the United States. The Department of Commerce says that in 1951 long-term private foreign investment in the United States amounted to \$9.1 billion. Since that time, long-term portfolio investment by foreigners have sharply increased, I would estimate by at least \$2 billion.

Thus our creditor position as a nation has been grossly misrepresented, or misinterpreted, with respect to current financial account, foreign government indebtedness, and direct private investment. From the standpoint of foreign countries, the total financial picture is satisfactory even beyond the hopes of 3 or 4 years ago.

We have already gone too far with policies that swell the surplus dollar balances of European and certain other countries to the detriment of American exports. Almost everywhere we find only new high levels of prosperity and standards of living. The most serious trade restrictions and the weakest currencies now remaining are in the underdeveloped areas which already—let me repeat—which already—have virtually duty-free access to the American market. Tariffwise, we cannot help them further, yet these areas are the chief source of the troubles which beset Japan.

But in the case of Japan, as in the case of Europe 3 or 4 years ago, the troubles are greatly exaggerated. In the past decade, Japan has not only reestablished and modernized her industrial economy, but has raised the living standards of her people above prewar levels.

In the 1954 fiscal year, ending March 31 of last year, Japanese industrial production rose 21 percent and the upward trend continues despite the cessation of hostilities in Korea. Japan's overall exports in 1954—and now, gentlemen of the committee, I speak of the calendar year 1954—reached a new alltime high of \$1.6 billion as compared with \$1.3 billion in 1953 and only \$772 million in 1952, a doubling of exports in 4 years.

The 1954 increase in exports occurred mainly in textiles and metal products. As compared with 1953, cotton fabric exports were up 41 percent; staple fiber products; that is, the synthetic products, up 82 percent; clothing, 49 percent; nonferrous metals, 144.5 percent; textile machinery, 201 percent—200 percent in a single year. These are figures reported in the Department of Commerce Weekly of the Department of Commerce.

In 1952, and for some years preceding, Japan had a highly favorable credit position in her international payments balances, due in large measure to special procurements resulting from the Korean war. In 1953, in which year the Randall Commission was formulating its judgments, a payments deficit appeared partly because of the decline of "special procurements," but in the main because of an overambitious program of industrial expansion and excessive credit liberalization growing out of the great optimism of Japan at this time.

The resulting inflation was checked in early 1954, imports were kept stable and exports sharply expanded. Consequently, the merchandise gap was narrowed by \$300 million and reduced to a figure once more closely in line with the surplus exchange receipts from the intangibles of trade. Japan's international payments balance for fiscal 1955, ending on March 31, will show vast improvement over a year ago, despite the decline of special procurements and other receipts incidental to military activity.

Now comes a most astonishing report of facts.

Japanese dollar balances in New York increased by \$109 million in the last 5 months of 1954, amounting to \$725 million on December 31, as reported by the Federal Reserve Board (Federal Reserve Bulletin, February 1955, p. 219). Although Japanese dollar assets are less than the peak figures of 1952, the decline has been offset by greatly augmented balances of pounds sterling and other exchange. The total foreign exchange holdings of Japan are within 5 percent of the alltime high of 1952 (International Financial Statistics, March 1955, p. 130, published by the International Monetary Fund).

Japan has not only increased and widened her overall export trade; she has likewise rapidly expanded her exports to the United States. As just reported by the Department of Commerce, Japan's 1954 exports to the United States reached \$284 million, a gain of 20 percent over 1953, and a gain of 50 percent over 1951. This kind of growth does not take place over unscalable tariff walls or in a very sick country.

To be sure, Japanese imports from the United States have also grown, amounting to \$851 million in 1954, according to the figures just

available. Accordingly, there was a merchandise deficit of \$567 million. But this smacks of no emergency. It is evened out by dollar receipts from "special procurements" and the American military; it just about evens up. These are sources, which, although reduced, may now be regarded as "built in" to remain indefinitely. Their degree of permanence is enough to justify great patience, because there is indicated no great emergency—great patience which serves as the basis of a long-range, constructive program for Japanese difficulties, rather than dangerous short-time expedients.

The wisdom of a long-range course is further strengthened by the fact that more than one-half of Japan's merchandise trade deficit with the United States is due to the cutting off of Japanese supplies from the Communist areas. Please note that I say "Japanese supplies." As a result, we are shipping to Japan \$300 million worth of foodstuffs, and fuel which normally and economically have been supplied by Manchuria, Korea, China, and Formosa. The loss of supplies from these areas is even more serious to Japan than the loss of the associated markets. Were it not for this highly abnormal situation, which requires the United States to ship soybeans, rice, and coal to Japan, Japan would now be on the plus side in her international payments balance with the United States.

The shifting of sources of supply to the United States has not, of course, affected Japan's overall trade balance. They are still external to Japan, just as before, and require foreign exchange just as before. Just as before, the problem of balance is an overall problem. And, as always, Japan must eventually find the offsetting credits in her natural, traditional markets. These markets are gradually yielding to the lower prices and the more suitable types of Japanese goods, as we have previously shown in our international trade statistics.

Now, this next sentence I say with some trepidation, but with great conviction:

Had the United States spent as much time and effort on easing the trade restrictions of these areas of scarcity as she has spent on a program of American tariff reduction, Japan's trade problems would probably be nearer to solution.

The answer to the present situation does not lie in the American market. The great disparity of labor costs is not compatible with expanding imports from Japan of like goods. To permit it, is not to invite competition, but monopoly. Whatever segment of our market is invaded by Japan solely with the weapon of price advantage becomes the property of Japan. So far as textiles are concerned, if we lower the tariff bars below the point of cost equalization, one of the most important areas of the American economy ceases to be an area of competition, and becomes an area of monopoly—taken over not by greater efficiency or better products, but by the use of labor standards which are illegal under American law and unacceptable to the American people.

We do not oppose the principle of reciprocal trade agreements. We recognize the desirability of a flexible instrument of tariff administration. Wishing to preserve the principle and its appropriate instrument, we recommend to the committee certain changes in the bill before us which we believe to be in the national interest as well as the interest of our industry.

We are genuinely concerned over the added powers granted the President in subsection capital A of section 3. Here he is given authority over all aspects of trade, customs administration, and commercial policy, with no limit on his discretion except that it shall not be inconsistent with existing legislation of the United States.

The language is in effect a preratification of the commercial policy provisions of GATT, to which the United States is signatory under the authority of the Chief Executive. By doing the job in this indirect manner, direct congressional action on GATT is confined to its "organizational provisions."

Under the procedures of GATT, this newly granted authority would not be in the nature of powers to be invoked from time to time as needed. On the contrary, the first single use of each power automatically becomes multiple and permanent, simultaneously binding us in a network of treaty obligations with every member of GATT, and with such additional countries as happen to be in the trade agreements.

Thereafter, the Congress will be estopped from independent statutory action on trade matters, unless it procures the consent of GATT, or unless it is willing to violate the treaty obligations of the United States. We recommend striking in its entirety the language granting added powers in the subsection as above identified.

In this same subsection there is provision that the enactment of the bill shall not be construed as "approval or disapproval by the Congress of organizational provisions" of any agreement. For reasons above stated, we urge that the word "organizational" be struck from the provision.

Now, Mr. Chairman, that concludes my portion of the testimony. And, if it please the committee, I should like to yield the floor to Mr. Craig Smith, president of the American Cotton Manufacturers Institute.

The CHAIRMAN. Mr. Smith.

STATEMENT OF J. CRAIG SMITH, PRESIDENT, AMERICAN COTTON MANUFACTURERS INSTITUTE

Mr. SMITH. Mr. Chairman, my name is Craig Smith. I live in Sylacauga, Ala. I am president and treasurer of Avondale Mills, which is a cotton textile concern employing 6,000 persons in Alabama. And this year I am serving as president of the American Cotton Manufacturers Institute, which is the overall trade association for our industry.

I have here a summary of the profit position of the textile industry compared to all industry, which I will not read in detail; I will leave it for the record, if the committee wishes. But it gives the profit for all industry by quarters, and then gives the profit for the textile mills products industries by quarters and the source of the material is the Federal Trade Commission and the Securities and Exchange Commission.

Senator GEORGE. Over how many quarters, Mr. Smith?

Mr. SMITH. It goes back, Senator George, through 1950, each quarter for 4 years, and 3 quarters for 1954, for a total of 23 3-month periods.

In no one of those 23 periods was the profit for the textile industry as much as the average for all industry. And during the last 3 quar-

ters of 1954, which are the most recent figures available, the profits for the textile industry were 1.1 percent, that is, 1.1 percent on our sales for the first quarter of 1954—

The CHAIRMAN. Is that the profit on invested capital?

Mr. SMITH. No; that is the profit on the sales of our product, against an all-industry average of 4.3 percent for that quarter.

The second quarter of 1954 was six-tenths of 1 percent for the textile industry, against 4.7 for all industry.

And, for the third quarter of 1954, it was 1 percent for the textile industry, and 4.4 percent for all industry.

The CHAIRMAN. You haven't got to invested capital. I think that would be the basis.

Mr. SMITH. I was just trying to show the ratio, Senator. And the ratio would be substantially the same between the textile industry and all industry.

The CHAIRMAN. You don't mean to say that the textile industry has only made 1 percent on invested capital?

Mr. SMITH. No, sir; I mean to say that for the first quarter of 1954 they made 1 percent on the cloth and yarn they sold, average.

The CHAIRMAN. I think the proper basis is the profit on invested capital—

Mr. SMITH. I see your point, sir.

The CHAIRMAN (continuing). If you want to compare it to other industries.

Senator MARTIN. I wonder if the witness would furnish that information, because I think it is pretty important. The sales percentage varies so much in various industries. I was just working on some things along that line last night. I don't know but what it may work out. I know your profit on sales is not as large as it might be, I appreciate that fully. But if we had that other information, I think it would be very helpful to the committee.

Mr. SMITH. We can furnish that, and would be very happy to do so.

Senator MARTIN. Thank you.

Mr. SMITH. Now these percentages of profit for the textile industry are so low—the averages are so low that inevitably there would be large portions of the industry that would be operating at a loss. And with some embarrassment, I say that my own company, Avondale Mills, is one of those companies which last year operated at a substantial loss. And, being president of the company, I won't admit that that was due to bad management; I will say that that was due to something else. But the facts are that our industry is in a depression when the country, as a whole, is in a very prosperous situation.

Now, we contend that the Japanese need no reduction in tariff to bring cloth and yarns into this market, as evidenced by the fact that they are already bringing them in in substantial quantities, bringing them in over our present tariff and under this very depressed price situation that our industry—

The CHAIRMAN. Are you objecting to the present tariff schedule?

Mr. SMITH. Yes.

The CHAIRMAN. You are objecting to the proposed, suggested, possible reductions under this bill, and to existing tariffs?

Mr. SMITH. That is what I am doing before this committee, sir. But I am saying, sir, that the present tariff is inadequate and that we feel that even if there wasn't anything done to the present tariff, that

this industry would have to go back before the Congress asking for some relief from the competition that is coming from these low-wage countries who have one-tenth the wage scale that we have.

The CHAIRMAN. In other words, you think you can't live under the present tariffs?

Mr. SMITH. We think over the long pull we can't; no, sir.

After saying that I go on to say, sir, that because the present tariff is inadequate, reducing it 5 percent a year for 3 years is not going to materially hurt us any more.

I mean, we are already—that percent is not anything that we are tremendously concerned about, as we already feel that the present tariff is inadequate. But there are other provisions of the bill that we are tremendously concerned about.

Now, I feel that most people who think they know anything about H. R. 1 think that the bill reduces tariffs 5 percent a year for 3 years, or gives the President authority to reduce them 5 percent a year for 3 years, and that that is it.

I respectfully submit that there are a number of members of the House of Representatives who have already voted on this bill who think that is what the bill does, who have told me that they thought that is what the bill does.

I have here the morning issue of the New York Times, and I would like to read very briefly what they say about it, just not particularly in respect to what they say, but what the press generally has said this bill does.

This statement says:

The bill now before the Senate Finance Committee would extend for 3 years the President's authority to reduce tariffs to stimulate world trade. It would empower him to make fresh cuts on certain commodities totaling as high as 15 percent over a 3-year period.

That is what the public thinks, and what the press thinks, and what a number of Members of Congress think this bill does. To us it does very substantially more than that. And it is that additional part that we are particularly unhappy about, sir, and we want to ask that that be corrected.

Now, specifically, here is a copy of H. R. 1, and on page 4, line 12, it says:

The rate 15 percent below the rate existing on July 1, 1955.

That is the date on which they propose to make the reductions effective on the tariffs. But as Senator Thurmond mentioned here a few moments ago, everything that the cotton textile industry makes of any substantial value is on the list which is now being negotiated at Geneva, and under the present authority the President has the authority to reduce our tariffs 50 percent.

Now we don't know what will happen to us at Geneva—maybe nothing will happen to us, maybe we get cut 1 percent or 5 percent, or maybe 50 percent. But this bill, H. R. 1, provides that this additional 15 percent will be on what happens after they get through with us at Geneva. We feel that to put everybody on the same basis and make the bill apply equally to everybody, that that date of July 1, 1955, should be changed to January 1, 1955, or if for any reason you wanted to make it March 1, 1955, it would serve the same purpose.

My point is that the 15 percent should apply on the present rate and not to some unknown rate that we may have after they finish with us over at Geneva.

Another point that we feel the bill might be ruinous to us on is that it provides—still on page 4, line 14—

In the case of any article which the President determines, at the time the foreign trade agreement is entered into, is normally not imported into the United States or is normally imported into the United States in negligible quantities, the rate 50 percent below the rate existing on January 1, 1955.

Now, that continues the President's authority to cut our rates 50 percent, because even though there is cloth coming in here from Japan and expressed in percentage of our overall production the percentage is small, we don't know what negligible quantities means, we don't know how that would be interpreted. And the bill seems to contemplate that the reason that cloth would not be coming in here in any particular quantity or with any particular construction now would be because of the tariff. But it might be something entirely unrelated to the tariff that is the reason for its not coming in.

In the case of Japan, they have just got retooled, they have just got their industry built back, at the end of the war they were down to a million and a half spindles, the balance of them they had taken and melted down into scrap to make armaments—it wasn't a result of the burning, it was the result of having them melted down for armaments. The industry is now rebuilt to where they have got over 8 million spindles, 6½ million of them completely new and modern in every respect. They are just now getting into position to come into this market. We feel that they could be coming in at a considerably faster rate than they are doing now.

Right now we particularly think that they may have this negligible quantity so that they may later ask for the 50-percent reduction.

The CHAIRMAN. What is your interpretation as to the period of time when this negligible quantity would be made to apply; would it be 6 months, or a year, or how long?

Mr. SMITH. We don't know—at least I don't know. But I think it applies at the time that the President decides to have a look at it, I think any time during the 3 years he can have a look and say, "Well, it is coming in in negligible quantities, therefore we will cut it 50 percent."

The CHAIRMAN. Your contention is that it may be negligible on a certain period and may be very formidable at a subsequent period?

Mr. SMITH. That is right. In our industry we make so many different kinds of cloth and yarn that we think that it might be negligible for the industry as a whole, but very substantial for some particular item.

The CHAIRMAN. What is your definition of the article, any article? Would there be subclassifications, so to speak?

Mr. SMITH. We don't know, Senator. They may just say that the cotton cloth was an article, and there might be very important segments of our industry that would be ruined by the Japanese specializing on that particular item.

The CHAIRMAN. It is your contention that this bill as written now definitely defines an article? Would it be cotton or cloth or dress goods, and so forth?

Mr. SMITH. It would be very difficult to write a bill that would break down those articles, because there are thousands of them.

The CHAIRMAN. But there is nothing in this bill so far as you see that defines an article under the section on page 4. Page 4 defines the period when the imports will be negligible. That seems to me to be an important point. They might be held as negligible in one quarter of the year, or 6 months of the year, and formidable in some other period.

Mr. SMITH. That is right, sir. We don't know what the word "negligible" means, that disturbs us. But the main point I am making is that the reason that the cloth has not been coming in is not necessarily related to the tariff, it could be for a number of reasons, one of them being that the industry has just been rebuilt, and they are just in a position to bring it in.

Now, in respect to cotton yarn, which is a major part of our industry, there is no cotton yarn coming in. The reason that is not coming is that the Japanese would rather weave their own yarn and ship the exported cloth. But they might later decide, "Well, we want to export some yarn." And with the tremendous advantage they have got they could bring in some yarn. But this bill would suggest to the President that he cut the tariff 50 percent on yarn.

Senator GEORGE. May I ask one question, Mr. Smith?

Mr. SMITH. Yes, sir.

Senator GEORGE. This bill provides here negligible quantities—the rate 50 percent below the rate existing on January 1, 1945. Had not the principal reductions under the Trade Agreements Act on your products been made prior to January 1, 1945?

Mr. SMITH. That is correct; yes.

Senator GEORGE. So that you had already taken the big cuts prior to the date specified in this bill?

Mr. SMITH. That is correct, sir, so that for all practical purposes they could cut us 50 percent of the present rates without any additional authority whatsoever. This bill continues that authority along with the 5 percent per year.

Now, the other point that we are particularly interested in has to do with this provision which permits the President and suggests to the President that he cut our tariffs 50 percent if it will help the economy and the exports of Japan.

Well, of course, if you cut the tariff it will help the exports of Japan, I don't see that there is any argument for the possibility of it not helping them. But Bill Sullivan, who is the president of the Northern Textile Association, is going to comment particularly on that point, along with some other points.

I would like to say just in closing that so far as the industry, the cotton-textile industry is concerned, north and south, there is absolutely no difference of opinion in respect to this bill or as to what this bill would do to us. We are unanimous on that point, sir.

(The following letter was subsequently received for the record:)

THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.,
Sylacauga, Ala., March 28, 1955.

HON. HARRY F. BYRD,

United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I have a memorandum on Japan's economy and foreign trade dated October 27, 1953, which was submitted to Clarence Randall by the Minister Plenipotentiary of Japan. I note from page 9 of this report:

"The disturbing drop in exports to sterling areas evident in 1953, together with an increasing payment for sterling imports, is the main reason for the

deepening blackness of the trade picture. This trend, from a surplus of over \$60 million in sterling in 1952 to a deficit at the rate of \$400 million in 1953, is the result of stringent trade limitations applied against Japan by the United Kingdom and other sterling countries."

This indicates clearly that whatever financial difficulty Japan may be in is not caused by the American tariff but is caused by the trade barriers which the British and others have set up in Japan's natural markets.

I note the following from page 12 of the report:

"Within 1 short year, the Nation's trade policy had to shift from one of limiting exports to the sterling area to prevent overaccumulation of then-unusable sterling to one of purchasing pounds with hard dollars to finance required imports."

You will note that Japan sold her dollars to buy pounds to pay Britain rather than using her dollars to buy American products.

Thank you very much for the consideration you gave to me and my associates from the textile industry when we testified before your committee.

Sincerely yours,

J. CRAIG SMITH.

Mr. SMITH. With your permission, sir, I will ask Bill Sullivan, president of the Northern Textile Association, to testify.

Senator BARKLEY. Mr. Chairman, when will we be permitted to ask questions of these witnesses that come on and go off?

The CHAIRMAN. Under the procedure we have three witnesses discussing the same matter; they will be questioned later.

Senator BARKLEY. You mean after they have all testified?

The CHAIRMAN. Yes, sir. But if the committee prefers—

Senator BARKLEY. No; I just wanted to be sure that we would have an opportunity to question.

The CHAIRMAN. Mr. Sullivan will have a very short presentation, I understand.

I want to say by unusual circumstance the very distinguished Senator from Kentucky is the baby member of this committee.

Senator BARKLEY. I am not a crybaby, though. [Laughter.]

The CHAIRMAN. And it so happens that the questions have been so extensive that Senator Barkley hasn't had an opportunity to ask many questions.

Senator BARKLEY. I don't want to ask for any privileges or precedence over anyone else. It is not a situation where a child shall lead them.

The CHAIRMAN. If Senator Barkley hadn't made the mistake of being elected Vice President, he would be chairman of the committee today.

Senator BARKLEY. But not as good a one as we have now.

The CHAIRMAN. As soon as Mr. Sullivan finishes his presentation the Chair will take the liberty of recognizing Senator Barkley.

Senator BARKLEY. I don't want to take precedence here.

The CHAIRMAN. I think we make that arrangement.

Senator SMATHERS. I will be very happy to yield my position.

The CHAIRMAN. But I have observed Senator Barkley frequently doesn't have an opportunity to ask questions because of the time other Senators have been taking.

Mr. Sullivan.

Senator BARKLEY. The only trouble is that I may forget what I want to ask.

STATEMENT OF WILLIAM F. SULLIVAN, PRESIDENT, THE NATIONAL ASSOCIATION OF COTTON MANUFACTURERS

Mr. SULLIVAN. My name is William F. Sullivan. I am president of the National Association of Cotton Manufacturers and of the Northern Textile Association. These associations represent northern cotton and synthetic fiber textile mills, most of which are located in New England.

New England has a very important stake in H. R. 1 and the current negotiations taking place at Geneva because despite her losses the textile industry is still the largest manufacturing industry in the area, employing 170,000 people. In cottons New England concentrates in fine combed goods which have a relatively high labor content, about 43 percent, hence wage differences between ourselves and Japanese or other foreign producers are a serious competitive handicap.

We have put in evidence before the House Ways and Means Committee elaborate charts, tables, and factual material as to the current condition of the industry, and I will not repeat it here.

Textiles at present are not a growth industry. Every dollar provided to Japan or other foreign countries for the sale of cloth in this country will be a dollar withdrawn from the present reduced sales of our own mills and will depress an already perilously low market.

At the bottom of page 1 and page 2 of my statement I have a very brief summary of that. I will not go through it in order to save time, except to say that since 1951 this industry has lost 260,000 jobs, 109,000 of them in New England. We have a very serious unemployment problem in our area, as you heard from Governor Roberts last week, and although our stake in textiles is not as great as that of South Carolina, it is still a very important margin to each one of our New England States.

One other thing I would like to say that we do have evidence which is in before the Tariff Commission and other bodies, which shows that the cost of producing typical fabrics made in New England mills as compared with the cost of producing them in Japanese mills, taking into account not only the very great difference in wages, but also machine efficiencies and worker efficiencies, shows that our costs exceed Japanese costs by anywhere from 43 percent in the case of broadcloth up to 73 percent in the case of lawns, and all that evidence is available. These are backed up by studies.

Lastly, we in New England know this, and it is very important, that when we have displacement in our textile mills, and we have had displacement caused by complete liquidation—we have unemployment that follows, and it is a prolonged unemployment. But those industries—and we have some in New England—do not absorb displaced textile workers. Over 50 percent of them get no jobs anywhere from a year to a year and a half after they have lost their jobs in the textile mills. Of those who get jobs, 35 percent get jobs in other textile mills. If there aren't other textile mills to absorb them the figure is even greater.

Of the people over 35 years of age, two-thirds of them do not get jobs at all for as much as a year and a year and a half. Of those who do get jobs, two-thirds are in less pay and find the job unsatis-

factory, and they lose the skills that they have acquired through years, and sometimes a large part of their life, devoted to an industry.

Now, I would like to get down specifically on page 3 of my statement to amendments to H. R. 1 in its present form, and I would like to take up in addition to the one Mr. Craig Smith has mentioned and the one Dr. Murchison has mentioned about the effective date of the 15 percent, go into 3 specific amendments.

As you know, the general rule in H. R. 1 authorizes the President to reduce the rates of duty in effect on July 1, 1955, by 15 percent, but on page 4, line 9, you will see a parenthesis which says: "except as provided in subparagraph (E) of this paragraph."

We were slow in picking this up. We didn't pick it up before the House Ways and Means Committee. We looked at subparagraph (E) which begins on page 5. That authorizes the President on and after June 12 to reduce rates by 50 percent of those existing on January 1, 1945, on those articles which are currently being negotiated with Japan at Geneva, pursuant to the notice of last November 14.

On that list one of the principal industries is the textile industry. Over 90 percent of the cotton textile output of this country is currently, today, on the bargaining table. The sessions are in progress today. That refers to countable cotton cloths, not specialties. In addition, many items of wool, silk, rayon, synthetic, and other textiles are subject to negotiation. For those of us unfortunate enough to be on this list, H. R. 1 authorizes a greater cut in duties than is allowed for the rest of American industry, the 15-percent rule. It would be more equitable to wipe the slate clean as of now and put us in the same position as other American industries.

The great bulk of staple cotton goods has had no tariff reduction since January 1, 1945, a point Senator George brought out, and consequently the whole 50 percent hangs as a threat over the industry. The principal reductions for the bulk of the cotton goods industry were made in the United Kingdom agreement of 1939. Only in the higher count goods—over 80, which is not too much made in this country, but is made in New England—were duties reduced after 1945, and then by 17 percent.

Senator MILLIKIN. What do you refer to when you refer to high-count goods?

Mr. SULLIVAN. Finer yarns; broadcloths, which run around 50—these are 80 and above.

Senator MILLIKIN. What does the count mean?

Mr. SULLIVAN. It is a measure of the fineness of yarn, and on those higher counts, there have been reductions in 1948 of about 15 percent, but still the bulk of the industry has the 50 percent ax hanging over it.

The exception of subparagraph (E) goes even further, however, than merely discriminating in the amount of reductions. If you will look at subparagraph (E), an excerpt of which is attached to my statement, you will notice that in authorizing the President in the case of an agreement with Japan for those items now on the bargaining table, he may reduce by 50 percent, the test laid down being—and I quote line 5 of page 6:

If the President determines that such decrease is necessary in order to provide expanding export markets for products of Japan (including such markets in third countries).

In other words, the test proposed in this bill to apply in our industry in negotiations with Japan is whether reductions in our duties will aid Japan in expanding her export market, including her expanding it with third countries.

The original Trade Agreements Act of 1934 had among its purposes—I think it was partly due to the depression, depression legislation—restoring the American standard of living and overcoming domestic unemployment. Also its purpose was to encourage our exports.

The Trade Agreements Extension Act of 1951, as well as H. R. 1, beginning on page 2, have identical purposes:

For the purpose of expanding foreign markets for the products of the United States—

not Japan—

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

In general at least, it is supposed to be reciprocal, and generally to help the economy of the United States.

The test of subparagraph (E), which applies to us, which the Congress is asked to approve this spring, is at variance with the major purpose of the legislation. Subparagraph (E) is designed exclusively to aid Japan without reference to the welfare of our domestic industry. I think it is fair to say it is a principle of statutory construction that specific language such as this will control the general provisions of the legislation. It is patently obvious that decreases in our duties would, in the words of this directive “provide expanding export markets for the products of Japan (including such markets in third countries).”

To the best of my knowledge and the knowledge of those who worked on this, these provisions have not been explained, and quite frankly in the House Ways and Means hearings we were sort of overwhelmed. We have been overwhelmed since last October or November when we first found we were on the list for Japan, and we had a series of hearings, and I do not believe this point has been brought up to date.

If the Congress were to enact subparagraph (E) with its special test to apply to the particular negotiations with Japan, it is conceivable that the argument would be made that the escape and peril point provisions of the act do not apply in these cases, because the test here is: Will it help Japan, not a question of domestic industry. Even if you were to say, however, that the escape clause and peril point was still applicable, the executive branch might well argue, if it chose to disregard the recommendations of the Tariff Commission, that Congress had directed it in these particular negotiations to provide expanding export markets for the products of Japan (including such markets in third countries).

We take this subparagraph (E) as a very important provision constituting a discrimination against a particular industry, us and other industries on that list, being designed wholly for the benefit of a

foreign nation and being contrary to the purposes of the trade agreements program, and that it should be struck from the Act.

As I say, we don't know the purposes of that, whether it is overzealous draftsmanship or something else. I will now return briefly to subparagraph (D) (ii), the negligible quantities matter, which Mr. Craig Smith mentioned.

As you know, that provides:

In the case of any article which the President determines, at the time the foreign-trade agreement is entered into, is normally not imported into the United States or is normally imported into the United States in negligible quantities—

rates may be reduced 50 percent below those of January 1, 1945.

The CHAIRMAN. For what previous period? Suppose the agreement is made on October 1; Is the period 30 days, 60 days, or 90 days prior to that?

Mr. SULLIVAN. I don't know.

The CHAIRMAN. You can't take any one day because there may not be any exports on that day. There has to be a period somewhere along the line to determine this question of the definition of negligible quantities.

Mr. SULLIVAN. Actually, Senator, our objection goes further than the period. Even if there were a period, I think I can demonstrate the effect of this section.

The CHAIRMAN. I would like to get clear in my mind whether there is a period and what the period is. That has a bearing on it.

Mr. SULLIVAN. Yes.

Although the words "normally" and "negligible" have not been explained by the proponents of this bill, it is our opinion that this authority to cut rates by 50 percent would be applied to the textile industry as a whole. It is, therefore, unfair to have a 50-percent rule for us and a 5-percent rule per year for other industries not on the Geneva list. Although in certain categories textile imports have been large and caused severe damage—I can cite you examples among our New England mills, and the velveteen people are testifying this afternoon, and that is a concrete example—imports as a whole might well be considered negligible. For example, since 1940 imports of cotton broadwoven goods have varied from one-tenth of 1 percent to nine-tenths of 1 percent of our domestic production. These are annual averages.

Senator MILLIKIN. Repeat that, please.

Mr. SULLIVAN. From 1940 to 1954 we find a variation as a percentage of our production that imports have been one-tenth of 1 percent and as high as nine-tenths of 1 percent.

Senator BARKLEY. Is that cotton imports?

Mr. SULLIVAN. Those are cotton imports.

Senator BARKLEY. Of all sorts?

Mr. SULLIVAN. Of all sorts. It is cloth not clothing. In certain instances that has hit hard, but the section as designed might well be applied to the industry as a whole.

If this special rule regarding goods normally imported in negligible quantities is intended to bring in greater quantities of these goods at the expense of domestic producers by reductions up to 50 percent, unemployment and injury will be caused to American workers and producers in the textile industry.

If it means, where we have a situation where there are negligible imports or no imports, we can relax the tariffs with the thought that there will be no competition for nonexistent imports, that is one thing. On the other hand, there has been no explanation of this. If it means by relaxing the tariff and reducing the tariff, imports will cease to be negligible but become substantial, then it becomes a serious problem for us, as I have said, and if the imports become substantial, of course we will have unemployment and injury to our workers and our plants in the industry.

The CHAIRMAN. There is no provision in the bill for reopening this question should the so-called negligible imports become substantial?

Mr. SULLIVAN. That is correct.

The third aspect relates to the escape- and peril-point provisions, and I break that down into two parts. First, as to the test for either escape or peril. Mr. Craig Smith has said we are worried about the future because we know the Japanese goods, with their rebuilt efficient industry, is coming in now. When they will come in more, that might be any week. They are coming in now. But they may increase even more. Therefore, the escape clause is of importance to us, and is important to us even under present rates.

We think the current test of it should be improved to protect our own home industries. The current test or guide in these matters is serious injury to the domestic industry producing like or competitive products. We believe this test is too broad and does not prevent plants in our domestic industries from being driven out of business even though an entire industry may not be seriously injured.

I have seen only press accounts of Secretary Dulles' testimony, so I cannot comment in too great detail, but I understand he said the test is that the whole industry would have to be injured, which means a million people and plants in 28 States.

Certain sections—fine goods in New England or print cloths concentrated in certain areas of the Southeastern States—that you might segregate and take the industry apart, yet perhaps you could make an argument that serious injury hadn't been caused to the whole industry.

We think there are a lot of suggestions as to how to handle this. One would be to provide in the Trade Agreements Act for a test of unemployment or injury to American workers producing like or competitive products. This can be accomplished by either changing the words in the escape and peril-point provisions or by defining industry so as to mean the plants or segments of an industry.

So much for the broad-test question. We think it should be one of unemployment and injury, and we think it should be mandatory in this sense, that it should apply to whoever administers the act, whether it is the Tariff Commission or an agency of the executive branch of the Government. Certainly the President can apply that test as well as the Tariff Commission.

Although Congress may feel that the carrying out of the trade-agreements program must rest with the executive branch, it should nevertheless provide principles, guideposts, yardsticks, under which the executive branch should operate. There should be neither the authority nor an invitation to the executive branch or any agency thereof to disregard the principles laid down by the Congress. Only

Congress should have the right to change or overrule the application of the principles established in this legislation.

We respectfully submit that H. R. 1 should be amended so as to provide that the administration of the trade-agreements program will not result in unemployment or injury to American workers or producers producing like or competitive products, and that no one shall disregard these principles without the express consent of Congress.

The CHAIRMAN. Thank you very much, Mr. Sullivan.

These three witnesses, Mr. Murchison, Mr. Smith, and Mr. Sullivan may now be questioned.

Senator Barkley?

Senator BARKLEY. I will take them in reverse order, so as not to have you get out of the chair.

I haven't very many questions. You speak about the impossibility of knowing what the word "negligible" means. You advocate removing that or fixing the definition.

Mr. SULLIVAN. I would like to strike the test out entirely.

Senator BARKLEY. What test would you substitute for it?

Mr. SULLIVAN. I wouldn't. I would have the 15 percent apply to us as to the other industries.

Senator BARKLEY. We have words all through laws and in our conversations and dealings that are difficult to define, just like the word "serious." The Webster Dictionary defines "serious," yet there are different gradations of "seriousness," or lack of it. Somebody who has to administer the law has to have the discretion to determine that. You cannot lay down a hard-and-fast rule in a law as to what is serious. You cannot do it as to what is negligible. You cannot do it as to what is reasonable.

In the trial of a criminal case the court will instruct the jury with reference to reasonable doubt. What is a reasonable doubt? Such a doubt as a reasonable man would entertain under similar circumstances. So it is difficult to define the word "negligible" just as it is "serious," and "reasonable." Those words are incapable of being put into a straitjacket.

Do you realize that difficulty?

Mr. SULLIVAN. I realize that difficulty. I think the point we are trying to make is that a reasonable man might well say where our imports have been less than 1 percent of our domestic production over a 14-year period, taken as cotton textiles on the whole, that that is negligible, therefore this 50 percent ax would continue to hang over us for another 3 years.

That would be so in an industry which has already shown some decline and in which a good many producers and workers are nervous. We are saying: Don't leave that 50 percent ax hanging over us.

Senator BARKLEY. To what degree has the industry which you represent increased or declined in the last 4 or 5 years in its production?

Mr. SULLIVAN. In its production, Senator, the figures here in brief summary on the bottom of page 1 show production in the cotton-textile industry since 1951 is down 19.7 percent. Woollens and worsted production is down 27.5 percent. In New England, since 1954, employment has dropped 16.3 percent, and over 15 cotton and synthetic textile mills have permanently closed their doors.

Senator BARKLEY. Has that decline in employment been affected by the removal of the industry into other sections of the country?

Mr. SULLIVAN. Yes, Senator.

Senator BARKLEY. That hasn't been caused necessarily by imports?

Mr. SULLIVAN. No, sir. We are not claiming that the overall picture is caused exclusively by imports, although we can point to certain situations which this afternoon will be pointed out in the Velvetreen case.

Senator BARKLEY. What case?

Mr. SULLIVAN. In the Velvetreen case. We have 1 large mill in Fall River employing 2,000 people making broadcloth which has been shut down now for 7 or 8 months, although the imports are not the sole cause. They are a very important contributing cause to that.

Senator BARKLEY. Where do those imports come from?

Mr. SULLIVAN. The interesting thing is they are coming from Japan, Senator. Before the war Japan stayed in lower-count goods. But they announced around 1950 that they would concentrate or make an effort toward the higher-count goods which have a greater labor content, because they, having a cheaper labor, would have a greater advantage.

Senator BARKLEY. Many years ago, more than I would like to admit publicly, we got most of our broadcloths, as I now recall it, from England.

Mr. SULLIVAN. You may have gotten some very high-count fancy broadcloth, but most popular-priced shirts are still American broadcloths.

Senator BARKLEY. I am thinking in terms of suitings, not shirts, although I realize shirts are made widely from broadcloth. The old-fashioned idea of broadcloth was a wedding suit, which I couldn't afford when I got married. We used to bring a good deal of that in from England.

Mr. SULLIVAN. Broadcloth woolsens. I don't have the figures. I will be glad to furnish it to you. The fine woolen imports have been on the increase, I believe. I don't have the figures with me.

Senator BARKLEY. How wide a range does the importation of the Japanese textiles take?

Mr. SULLIVAN. The Japanese textiles—and I would like Dr. Murchison to check me, because he knows more about that than I do—ranges pretty nearly through the whole range of countable cotton cloth, going up even into the comb goods of average-count yarns of up to 60 and 70. Beyond that England, Switzerland, and France begin to—

Senator BARKLEY. What portion of the total imports from Japan are made up by the cloth that is sent in and what proportion by finished goods; that is, ready-to-wear, if any?

Mr. SULLIVAN. Can I pass that question along to Dr. Murchison?

Mr. MURCHISON. I would say that during the past few months, Senator, probably 10 percent in terms of yards of fabrics have come in in the form of ready-made garments; that is, women fabrics. That does not include the knitted fabrics.

Senator BARKLEY. Does not include what?

Mr. MURCHISON. Does not include the knitted fabrics. But of the ready-made garments made of woven goods, during the great concentration of Japanese imports, beginning about August of last year, continuing to the present time, it would represent a very sub-

stantial percentage. It is hard to compute it, but it would range from, I think, 10 to 20 percent.

Senator BARKLEY. That is in ready-to-wear stuff?

Mr. MURCHISON. Yes.

Senator BARKLEY. That would mean 80 to 90 percent would come in in yardage.

Mr. MURCHISON. That is right. Mr. Sullivan was correct in indicating the wide range of the constructions coming in, but I would say that the bulk of the constructions, Senator, would fall within a fairly narrow range, from 35 to 50 average yarn counts. That is what makes the situation so difficult.

Senator BARKLEY. Who buys that yardage?

Mr. MURCHISON. The yardage goes into the general market. It is brought in by the importers and finds its way into the general market.

Senator BARKLEY. It goes into some factories out of which ready-to-wear stuff is made?

Mr. MURCHISON. The gray goods coming in, of course, go first to the finishing plants. They are bought by the converters and go to the finishing plants. There they are given the finishing treatment, and then they are merged with the general body of American goods.

Senator BARKLEY. And are used to fabricate clothing?

Mr. MURCHISON. That is right.

Senator BARKLEY. And that process employs a good many American laboring men; does it?

Mr. MURCHISON. That is quite true, but it doesn't mean an increase in the number of workers that would otherwise be employed. The situation simply brings about a corresponding reduction of the volume of American cloth that would go into the garment-manufacturing industry.

Senator BARKLEY. You mean that you feel we are going to import enough yardage of goods of different kinds from Japan to create a serious impact upon the American textile industry and yet it doesn't increase any employment of people? The employment of people is absorbed by those already working?

Mr. MURCHISON. There is no evidence whatever, Senator, that there is any increase of American employment due to Japanese imports.

Senator BARKLEY. You mean that there is enough laxity in these factories that make garments out of this cloth so that they can make all that they do make out of Japanese imports or out of any other imports?

Mr. MURCHISON. This is the situation. The cloth-production capacity of the American industry is not only fully adequate to American consumption, it actually goes beyond that. We not only need the full domestic market for our production, we also need as much export business as we can get. Under those circumstances of superabundance, the cloth that comes in from abroad merely displaces the same amount of cloth which can be made in America, because this incoming cloth that we speak of is not distinguished by differences in type. It may be somewhat inferior in quality, but it has more than been offset by lower prices. Consequently, it does not contain the power to expand production, make people want to buy more cloth. It doesn't increase variety,

it doesn't improve the quality. It merely demoralizes the general market structure of the United States and at the same time reduces the activity here.

Senator BARKLEY. Do you mean to say in the making of shirts or any other garment worn by a man or a woman out of this broadcloth that comes in here, no additional employment is supplied?

Mr. MURCHISON. The American broadcloth is better than Japanese broadcloth, and it is available.

Senator BARKLEY. I am not speaking about that. Maybe I am obtuse. I don't understand how enough of this Japanese competition comes in here to seriously endanger your business and yet it doesn't give anybody in the United States any additional employment in making the goods out of that yardage comes in. How can that be?

Mr. SULLIVAN. Take an example. Suppose we have a shirt factory that makes a hundred dozen shirts. It buys American cloth and makes a hundred dozen shirts. It finds it can buy Japanese cloth cheaper. So it buys the Japanese cloth instead of American cloth. Their workers work on the Japanese textiles. The cloth maker in the mill is out of work because the shirtmaker is buying Japanese cloth. It adds no employment in the shirt factory. It puts the textile worker out of work.

Senator BARKLEY. You say from 1950 up to now at no time has these imports amounted to more than nine-tenths of 1 percent?

Mr. SULLIVAN. That is correct; overall.

Senator BARKLEY. Senator Thurmond, who testified, I think, first here, said that in describing these conditions which he had described, there had been an expansion of the textile industry in this country; is that true?

Mr. SULLIVAN. There has been an expansion in South Carolina, I think.

Senator BARKLEY. How did that expansion come about? By moving from New England?

Mr. SULLIVAN. To some extent, not so much moving as a decline there.

Senator BARKLEY. Closed down there and building plants in South Carolina? That is not due to imports.

Mr. SULLIVAN. Oh, no, sir. That is not due to imports.

Mr. MURCHISON. May I comment just a moment on the question of the Senator? The magnitude of the industry or activity in the industry is usually measured by reference to spindles or by reference to cotton consumption. The last, cotton consumption itself, is referred to in terms of crop years; that is, the period from August 1 of one year to July 31 of the next year, a period corresponding to the harvesting and marketing of the cotton crop, which is called a crop year. In the last crop year, consumption of cotton by American cotton mills was 1 million bales less than in the preceding cotton year, 1952-53. So the production activity of the industry contracted about 10 percent during that period of time.

We are not going back to the Korean war for the comparison. We are taking 2 years of what is considered reasonably normal. Those figures are reported by the Bureau of the Census.

The spindles of the industry diminished over that year's time by 600,000 spindles.

Senator BARKLEY. I suppose you have taken into consideration in your attitude here the international situation, the contest between what we call the free world and the slave world. You have taken into consideration the desirability and the necessity for us to encourage our friends not only through military assistance and by grants and gifts of money and supplies and one thing or another, but that we also must maintain psychological connection between these various parts of the free world.

We have a peculiar obligation, I think, with reference to Japan because we have helped to rebuild her Government and rebuild her economy, and we are hearing constant protests against permitting Japan or any of these other countries that are friendly with us to trade with Russia or the satellite nations or Communist China, and all that. What are we going to do? This doesn't affect only the textile industry. We are all confronted in our States with problems—oil and coal, and glass and copper, and lead and zinc, and all those things, as well as textiles. Where are we going to draw the line? What are we going to do in order not to drive our friends into the arms of our enemies, because we won't trade with them or let them trade with us? How far can we go in the adoption of that policy?

Mr. MURCHISON. You have asked a very big question, a question that is probably beyond the wisdom of myself even to attempt to answer, but if I might suggest one thing—our industry has given very serious thought to your question. Our feeling is that one of the things to consider is that one-half of the population of this earth—that means two-thirds or more of the area of this earth—have a great scarcity of goods. Over a billion people in this world do not have adequate clothes to put on their backs. They are going ragged. Our challenge, therefore, is to increase the consumption of cotton goods—

Senator BARKLEY. If I may add, one-half of the world's population goes to bed hungry. That doesn't mean they haven't had food, but they haven't had enough, and it hasn't been adequate in quantity or quality.

Mr. MURCHISON. Why shouldn't we direct our efforts to relieve that situation?

Senator BARKLEY. We have been doing that, but it may not be enough.

Mr. MURCHISON. We are a country of superabundance. We have a surplus in agricultural products and most manufactured products. When half the world is starving for these things and suffering for these things, why should we divert the world's goods into the United States where we already have too many? Why not divert them where they are needed?

Senator BARKLEY. You mean you are opposed to the conversion of any goods to the United States even if they have a surplus of their own?

Mr. MURCHISON. Where we have a surplus and the rest of the world has a scarcity, we are opposed to the diversion of the whole.

Senator BARKLEY. All countries do not have a scarcity. Those countries can only sell to us and get dollars in order to buy our surplus.

Mr. MURCHISON. All of the countries which are the natural markets of Japan are countries of scarcity.

Senator BARKLEY. The natural market of Japan was China originally.

MR. MURCHISON. In textiles, the bulk of her exports were not to China at any time. They were mostly to the other areas of the Far East, Oceania, Latin America and portions of Africa and the Near East.

Senator BARKLEY. Do we get any imports of textiles from Italy or Belgium?

MR. MURCHISON. Yes, we do, Senator. We get considerable volumes of specialty goods from Italy and also Belgium, but they are commodities that have distinctive qualities and are so sold in the United States. They are not merchandised in the United States on a purely price basis.

Senator BARKLEY. I realize that certain tastes have been cultivated for Italian, French, Belgian textiles of one kind or another—laces, embroidered goods, some of which we used to get from China also before the war—and yet, if we seek to curb Japan by any particular treatment of her with reference to goods that the American people might prefer or like to buy, don't we automatically do the same thing to Italy, France, and Belgium and other friendly countries with whom we have for a long time traded?

MR. MURCHISON. I think there is an important difference there, Senator. In the case of Japanese textile goods coming into this country, they are simply goods, cotton goods, identified just by calling them certain constructions. When goods come in from the countries you have specifically mentioned, they are at least goods which have distinctive characteristics which, as you say, are goods which appeal to the desire for variety, novelty and quality on the part of the general American public. I think that would be generally true. There is a great distinction between our competition with Western Europe and our competition with Japan.

Senator BARKLEY. Yet they do manufacture certain of those goods in this country, and those who manufacture them object to Italian and Belgian and other imports that are competitive to any serious degree.

MR. MURCHISON. We have found in those cases where Japanese goods are labeled and identified as such in the United States, the majority of people prefer not to have them, Senator, even though those same people might be very happy to buy goods from the United Kingdom.

Senator BARKLEY. Does that go back to any prejudice created because of Japan's attack on us and her participation in World War II against us?

MR. MURCHISON. I don't know the reason. You will recall that prior to World War II the same thing started. We had a rather sizable boycott movement in the United States against Japanese goods. It seemed to be spontaneous. We have never been able to explain it. Our own industry was opposed to it and did its very best to stop it.

Senator BARKLEY. It was rather sporadic.

MR. MURCHISON. Yes.

Senator BARKLEY. That is all I will take the time to ask.

Senator GEORGE (presiding). Senator Millikin?

Senator MILLIKIN. No questions.

Senator GEORGE. Senator Martin?

Senator MARTIN. I haven't anything. I hope that Mr. Smith will insert in the record the capital invested in the textile industry.

MR. SMITH. I will be glad to do that, Senator.

Senator MARTIN. That is the only question I have, Senator George; thank you.

Senator GEORGE. May I make one inquiry. Are the Japanese now beginning to export or have they exported a fine broadcloth?

Mr. SULLIVAN. Yes. The Japanese bring in now a combed fine broadcloth, American shirtmakers having for several years now been using this Japanese cloth. I am sorry I didn't bring some of the shirts with me, but we have them. It is virtually impossible to tell the difference between an American shirt, or a shirt made of American cloth, and one made with Japanese cloth. They copy even the patterns of the weave of our shirts.

Senator GEORGE. You say it is not distinguishable from the American product, the American produced cloth?

Mr. SULLIVAN. No.

Senator BARKLEY. There is one question I have forgotten. In this July 1 date, about which all three of you complain in this bill, that really is a date fixed because this extension from now on is to terminate on July 1, at the end of the 3-year period. There would be no possibility of negotiating any agreements between June 2 and July 1, would there, so that July 1 date is put in there to harmonize the termination date of the act with its administration.

Mr. SULLIVAN. Senator, for purposes of determining what rate the President shall have the right to reduce to, they use the date of January 1, 1945.

Senator BARKLEY. I understand that.

Mr. SULLIVAN. So any date could be fixed. June 12 is when the act runs out, which would seem to be a harmonizing date in that sense. But it is legitimate to pick any date.

The purpose of, say, March 1 is—and we hope it doesn't happen—that if there are any concessions negotiated at Geneva, they would be credited against the 15 percent. You would leave the date that stands, but say that any concessions granted in these negotiations would reduce the 15 percent by the same amount.

Senator BARKLEY. Do you object to any date being in there?

Mr. SMITH. No. We think everybody ought to start off on the same basis. If we start off after we have already been cut, then we just get cut twice. We want to make the date so that the list at Geneva will be treated the same—

Senator BARKLEY. You mean if there had been a cut up to January 1, 1945—

Mr. SMITH. No, sir; that is not the point I tried to make, sir. There has been no substantial cut in our rates since January 1, 1945. We are substantially where we were then. Our cuts mostly came before that. The bill now says that the rate of 15 percent below the rate existing on July 1, 1955, will be the rate. We don't know what that rate is. That is what we are unhappy about. It would be 15 percent below an unknown rate.

Senator BARKLEY. If you haven't had any cut since January 1, 1945, wouldn't it be that rate?

Mr. SMITH. No, sir; they are over there trading on us right now. We don't know what is happening to us this moment. We might be getting cut 50 percent while you and I are talking about it. I am being realistic. I am not trying to overdo it. That is the situation that pre-

vails. Right now we are being bargained on at Geneva. We don't know how much, whether it is 1 percent, 5 percent, or possibly 50 percent. We don't want to be cut an additional 15 percent over and beyond that. We think we ought to go back to 15 percent or apply to the present rate, assuming that the present rate has not been changed this morning. It wasn't changed yesterday so far as we know. We don't get much news out of Geneva. They don't tell us much. We know they are operating on us over there, but we don't know to what extent they are operating on us.

Senator BARKLEY. That goes on here in Washington sometimes.

The CHAIRMAN. Senator Martin?

Senator MARTIN. May I ask one question? Is any country bringing in finished garments? The question came up a moment ago about the employment of men and women who are making garments out of our own fabrics. Are there any countries bringing in any completed garments?

Mr. SULLIVAN. The Japanese are, in fairly large quantities. Mr. Murchison estimated 10 to 20 percent of the amount of cloth.

Senator MARTIN. When that happens, that takes out of employment people who are making garments in our country?

Mr. SMITH. That is correct.

Mr. SULLIVAN. And the clothing manufacturers, I think, would express the same views we do. They did before the Tariff Commission and are of one mind on that.

Senator MARTIN. As I understand, woolen goods—I don't know your technical terms—quite a number of finished garments are being imported now from Britain.

Mr. SULLIVAN. Yes.

Senator MARTIN. And a lot of Americans go over there now and have their garments made by British tailors. I guess they have to have them remade when they come back to the United States. Nevertheless, that happens. I don't know whether it was happening in cotton fabrics or not.

Mr. SULLIVAN. Yes.

Mr. SMITH. I read in the News Record, which is our leading trade paper, that during the month of December 1945 there were 89,000 dozen shirts that came in from Japan, in 1 month. That is over a million shirts in 1 month. They came in purely because they were cheap, for no other reason, and they were cheap only because they were made with cheap labor. That is the one reason they were cheap.

Senator BARKLEY. Thank you, very much.

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

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Do you say there is no authority under the reciprocal trade agreement to give tariff concessions to one nation so that that nation may increase its exports to some other unrelated nations?

Mr. SULLIVAN. I don't think I said that. I don't say that I know the answer to that.

Senator MILLIKIN. That is what I gathered out of some remarks that you made. I just wanted to know whether I understood you.

Mr. SULLIVAN. No, I don't think you understood me correctly. I don't think I expressed an opinion.

Senator MILLIKIN. Didn't you have something to say about putting Japan in a position so she could get into other markets?

Mr. SULLIVAN. This subparagraph E which applies to us on the bargaining table at Geneva is a specific provision which says, if the President determines such decrease is necessary in order to provide expanding export markets for the products of Japan (including such products in third markets)——

Senator MILLIKIN. That is what I am talking about. Did I understand you to say there is no legal authority of that kind in the trade agreement bill?

Mr. SULLIVAN. Other than that, not that I know of.

Senator MILLIKIN. Thank you.

The CHAIRMAN. Senator Malone?

Senator CARLSON. I wonder if the Senator from Nevada would let me ask two questions.

Senator MALONE. Surely.

Senator CARLSON. I believe you stated that your industry has suffered some damage, less than 1 percent of imports based upon your domestic production.

Mr. SULLIVAN. The imports have been less than 1 percent.

Senator CARLSON. And your industry has suffered, in your opinion, some damage.

Mr. SULLIVAN. Yes, sir.

Senator CARLSON. What would happen if it were 5 percent?

Mr. SULLIVAN. I think it would be cataclysmic.

Senator CARLSON. Then let's go to 10 percent.

Mr. SULLIVAN. Supercataclysmic.

Senator CARLSON. We happen to have an industry that is very important in this Nation that had to compete with 13½ percent of their production last year, and they are complaining. Do you think they have a just complaint?

Mr. SULLIVAN. I don't know, Senator. I don't know the characteristics of the industry that you are talking about.

Senator CARLSON. I think probably I should have stated that the oil industry is meeting the competition of 13½ percent of the domestic production from imports. They have been in here testifying before this committee, and I thought they made a very good case. They contend they have suffered damage, and I think proved their case.

You come here, and I want to say that you have made a very good case, and I appreciate Dr. Murchison's appearance because he appeared before the House Ways and Means Committee and never appeared without a splendid statement. I am interested in knowing that you feel in your industry with less than 1 percent imports, you feel you have been damaged, and I couldn't help but bring up the comparison when there are other industries in this Nation that have some problems, too.

Mr. SULLIVAN. In certain branches of our industry, we have been damaged by imports up to 50 percent of our production. This legislation and the negotiations at Geneva, which this legislation affects in part, is intended to carry on further reductions.

Senator CARLSON. I want to say I am sympathetic with your problem.

Thank you.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Murchison, I too congratulate you on your statement, and I think there is very little that anyone could ask you that could improve on it. But you brought up a new slant on this thing. I too have studied it for quite a while, but I never thought of it just in the language you used.

Most of us have seen many of these foreign nations. They do not of course manufacture enough goods for their own people if their own people could buy them with their own currency. They would not need dollars if they could buy them in their own money. What they need is wages, which they do not have. So your slant on this thing of our encouraging a division of their production with us when we obviously don't need it, seemed to be a very fertile field for thought.

I appreciate your injection of that thought into this discussion, because I have said this and I would like your slant on it. Our policies that we have long encouraged (21 years) tend to hold foreign wages down, because we continually lower our duties below that difference in cost between this Nation and the chief competitive nation that is mentioned in 336, paragraph F of the 1930 Tariff Act, so that the American manufacturers that go to foreign countries can, by keeping the labor down, call profit anything between the lowest cost labor they can get in these foreign nations and the duty they have to pay to come in here. So the lower the duty the more the profit.

If we had a duty based on section 336 of the 1930 Tariff Act, which is now superseded by the 1934 Trade Agreements Act, that took the difference between the reasonable cost of production here and the reasonable cost in the chief competitive country, then the profit would be taken out of the low cost labor and they might just as well raise their wages, because the theory of our flexible import fee was to lower the duty as their costs came up.

Wouldn't that policy then encourage higher wages where this policy we now have encourages lower wages and lower purchasing power in those countries.

Mr. MURCHISON. We were hopeful that the escape-clause and peril-point provisions of the trade agreement program would become a satisfactory substitute for section 336, the old section 336 that was in application and so preserving the principle which you refer to of the desirability of a cost equalization.

I doubt, Senator—here is the problem involved in any effort on the part of the United States to increase the wages in foreign countries.

If you take those countries separately and view their export trade with the United States, it is usually a fairly small percentage of their total exports. In the case of Japan, last year their exports to the United States were 22 percent of her total exports. The other 78 percent had to go to those portions of the world which have lower incomes, very low wages and so Japan is under pressure there to keep her costs down in order that she can find markets for the bulk of her exports in the low-income countries of the world.

She does not have that problem with us. She could double or triple or quadruple her wages and still have a competitive advantage in the United States. But she can't have a wage policy you see which is directed toward the American situation which would be compatible

with the broader world situation which she must confront. There is the problem there.

Senator MALONE. Well, going a step further, we did not always have high wages in this country, but they were advanced as we were able to manufacture more per man-hour and produce materials at a lower cost. There was a recognized division between the workingmen in the industry and the investor's profits. Sometimes they miss the balance but in the long run perhaps ends up about right.

But is there any effort in foreign countries to raise the wage standard of living such as there has been in this country? Isn't it true the attention is all paid to getting the stuff produced as cheaply as possible and making the greatest profit possible. Has there been the attention paid to that problem as there has been in this country?

Mr. MURCHISON. Absolutely not.

Senator MALONE. Then in our policy of free trade—no duty at all and it calls for a readjustment whenever you go below that differential, because you have to lower your costs, your wages, and your investments to meet their costs or go out of business. Suppose we had absolute free trade, then they could take that profit between their low wages and what the market would bear here in selling price, could not they?

Mr. MURCHISON. That is true, Senator.

Senator MALONE. And they would do it. That has been the history of their selling price, has it not?

Mr. MURCHISON. That indicates so well a realistic tariff policy, a policy that does recognize the basic differences, the basic disparity in the cost of production. Unless that principle is preserved, the tendency in the years to come will be for an increasing proportion of American business to move abroad in the form of branches and subsidiaries and depending for their markets, of course, upon the United States primarily, with their costs of production in other areas.

That is the danger which confronts us. Of course, that always should stand as a great warning in any determination of tariff rates.

Senator MALONE. I have listened carefully to the three of you.

I have not heard any one of you say that you wanted more than an even break in the American market.

Fair and reasonable competition. Is that about what you are asking for?

Mr. MURCHISON. I believe that is right.

Mr. SMITH. Yes, sir; if we could even get the Japanese equalized to our legal minimum we may be able to live with that.

Senator MALONE. I have a reason for stating it that way. If the duty is on the basis of fair and reasonable competition and meets that differential so that you have equal access to your own American market, that is a satisfactory situation?

Mr. SMITH. Eminently satisfactory.

Mr. SULLIVAN. Yes.

Senator MALONE. You all three agree to that.

Isn't that exactly what the 1930 Tariff Act specifically set down as a principle—a fair and reasonable competitive balance with no advantage to the American producer and no advantage to the foreign producer?

Congress gave them a principle, and only one principle, upon which to act and that was the difference in the cost, the reasonable cost here and the reasonable cost abroad.

Isn't that right? That is what section 336 does, isn't it?

Mr. MURCHISON. That's right.

Senator MALONE. When Congress passed the 1934 Trade Agreements Act, there could have been only one objective, to divide somebody's market here with a foreign nation; isn't that about right?

Mr. MURCHISON. Yes.

Senator MALONE. I have argued on the Senate floor and elsewhere—this is going on the 9th year—that that was the objective of the act. That has been denied by most people who are for the act, but we had a very good witness here the other day: Mr. Dulles. His name has been mentioned here. And Mr. Dulles said specifically that he recognized that the competition, whether domestic or foreign does injure and it injures first the weaker and less economical units in the industry. That is what you have been testifying about this morning, the smaller industry.

And he said further:

I do not think you can have imports without some damage and if your rule is that you will not have imports or tariff reductions or sustain them if there is damage to anybody

and that is what you are talking about. You thought the escape clause would protect you, but I think it becomes automatically unworkable, referring to the 1934 Trade Agreements Act.

So I think we are facing a situation here of lack of understanding among the industrialists and workingmen and even among some Members of Congress on what the objective of the act was. Mr. Dulles, upon being asked the question: If the enforcement of this act caused unemployment, was that the objective of the act or could it be interpreted that way, answered:

Conceivably so, yes; we do a lot of things, sir, which do great injury to American people to serve an international purpose.

I did not even get an opportunity to congratulate him on the kind of a witness he was.

I think he was the first completely honest witness we had ever had from the State Department. I think that he said exactly what they have been doing though for 21 years and therefore you know where you stand.

The objective of this act was to do this thing, and the junior Senator from Kentucky put his finger on it. If you don't do it, how are you going to help these other nations?

I have held to the following theory and I am going to ask you if you agree, that if we hold to protect our own investors and our own workingmen on the basis of fair and reasonable competition—no high tariff, no low tariff or duties, but a flexible duty that equalizes the wage standards of living, taxes and things we have to pay here including unemployment insurance, industrial insurance, and social security to protect our workingmen (those three things alone amount to more than some of the wages they pay in some of these nations)—if we were to continually equalize that setup and leave that principle laid down by law, then a potential investor or actual investor can easily see that that principle could not be changed except by a bill introduced in and passed by Congress after hearings were held in committee. Therefore he could feel easy in his investment, couldn't he?

Do you think that any industry can continue to operate for long

under a principle of continually reduced protection regardless of the differential of cost between this country and the chief competitive nations; with the threat continually hanging over its head that you may wake up any morning to find a trade agreement made that will lower the rate still further; and that when you come before the bar of justice you have to show serious injury when, as anyone knows who knows anything about business at all, it takes maybe a year or 2 years to show a serious injury and by then almost irreparable damage can be done?

Do you think any business can continue to exist under these conditions?

MR. MURCHISON. You are the businessman, Craig.

MR. SMITH. Senator, we think that some perhaps might. But we feel that with our industry, with the textile industry we have only three items of cost. Our biggest item of cost is our raw material, which is cotton. There the Japanese have the same cost we have. Any difference favors the Japanese, because they can buy Mexican cotton, Brazilian cotton, Pakistan cotton, which often sells, and right now in Mexico is selling 1 cent to 2 cents under the American price.

When they buy American cotton they pay the same thing we pay. The American mill cannot buy any foreign cotton. We have to buy American cotton because there is a very rigid quota on how much foreign cotton can come into this country and with the exception of a few specialties none can come in.

We by necessity have to buy American cotton. So our cotton costs are substantially the same with any difference favoring the Japanese. The second item of costs is the machinery utilization.

The Japanese have the identical machines that we have. The textile industry has no patents of any consequence whatsoever. The foreign spinner has the same machines that we have, except in the case of Japan, they are newer because they have all been bought since the war and they have an advantage there in having the newer machinery. The only remaining area of competition is the wage rate and there they have a wage rate of 13.6 cents an hour.

That is their average wage rate. Ours is 10 times that. We were asked why there are some industries that can compete and some of them say they can; why can't you compete?

That is the reason. Because our raw materials cost the same, our machinery is the same, and the only thing left is the wages to compete on.

Our industry happens to be the last of the big major industries that really and strictly operates on what we used to think of as a free-enterprise basis.

We have 1,300 mills that are actively competing against each other all the time. We don't need any foreign competition to make us competitive. We don't need any antitrust laws to make us competitive. We are just competitive by nature and we are cutting our own throats in competition every day and we are doing it and have been doing it for many years and going to keep on doing it.

If these Japanese goods come in here, it will force mergers. We are seeing some mergers already, although there is no 1 company that controls as much as 3 percent of the total textile industry.

The balance of us are all 1 percent or less. So it is an industry of small businesses, but this Japanese competition will force mergers,

the result of which, in our judgment, will be to do away with the last big industry in this country and it is a big industry although composed of small units—that is as highly competitive as we are.

Senator MARTIN. Senator Malone, would you yield right there to this matter of costs?

Senator MALONE. Certainly.

Senator MARTIN. Your explanation of costs is very interesting and you have done it very clearly, but isn't it true also that the Japanese plant costs less than the American plants because in the erection of plants, a large cost is labor cost?

That is one reason why I wanted to get into the record your capital investment; isn't that true?

Mr. SMITH. Yes, sir. That is precisely true, Senator. We also feel that the money collected from our industry in taxes was indirectly used to build that Japanese plant.

Senator MARTIN. That is right. Thank you, Senator.

Senator MALONE. You are in a highly competitive industry, but I call attention to the fact that most other industries are competitive too, like glass, crockery—at least crockery was until it went out of business—and the mines and other things. You have never objected though before any committee of Congress to domestic competition, have you?

Mr. SMITH. No, sir.

Senator MALONE. You never objected if there was a lower labor cost some place else in the West or the South because you knew it would even up in the long run if you gave it time, and you never objected to that did you?

Mr. SMITH. No, sir.

Senator MALONE. All you want then is a flexible evener, whether you call it a tariff, duty, or import fee or whatever it is, that will maket up that difference. As they raise their standard of living in Japan or whichever is the chief competitive nation, you could lower your tariff or your duty to just meet that differential and have equal access to your own markets.

That is all you are asking for?

Mr. SMITH. That is precisely correct.

Senator MALONE. Let me ask you another question because every once in a while, when the defenders of this policy get right up against the Iron Curtain, they have one more say: that the consumer is entitled to a lower price if he can get it. One of my convictions is that if you follow that through to a logical conclusion on all products, then the consumers will not even have the lower price to pay for the lower-cost product, because they are too dependent for their higher standard of living on some article that is protected.

That is, if they are a lawyer they are working for these industries. They depend on an industry that has to be protected to exist. But have you ever had any experience in knowing—I am talking to the three of you, either one of you can answer—that when a foreign competitive product cuts an industry down and the industry goes out of business, isn't there a tendency on the foreign producers side to charge what the traffic will bear?

Mr. SMITH. Yes; there certainly is.

Senator MALONE. And therefore the consumer doesn't benefit by the excessive low cost. They could have furnished it here for the ultimate after all.

Mr. SMITH. And the point you make is particularly appropriate to our industry, because in New England and the South where our industry is located, it is usually the principal if not the only industry in the community and when that mill shuts down, as some of them are shutting down, both in New England and Alabama and Georgia, then the whole community becomes unemployed and the banks don't close the next day but they close the next year and the merchant goes out of business the next year and the whole community is wiped out and can't buy any Japanese cloth or any other kind of cloth because they have nothing to buy it with.

So we are an industry which supports a number of small communities.

On your other points, the foreign competition is under what they call a cartel system. As I understand it there are 10 companies in Japan and they control the production of Japan. In Japan they can get together and from the way they act do get together and decide what they will do.

They can bring it in or hold it out at their pleasure. They can raise the price or lower it at their pleasure, just by agreeing among themselves. In this country even though we might like to do it and I would not say we are too virtuous to do it, we can't do it because there are too many of us.

Senator MALONE. I have just one final question. Except I would like to know the address of Mr. Murchison. Where do you live?

Mr. MURCHISON. I live in Clarendon, Va., 3162 Key Boulevard. The business address is for Mr. Smith and myself—1625 Eye Street NW., Washington.

Senator MALONE. I found two of you now. We had one last night. I am going to have to start modifying my remarks. I said there is more education in Washington but less common horsesense than I have ever seen, but I have found 2 men in the last 2 days that show a considerable portion of that and I may have to modify that remark.

I think you have developed a permanent rapport with the senior Senator from Nevada.

Mr. MURCHISON. I hope so, Senator.

Senator MALON. I have one more question.

There is nothing that will add to your testimony except to clarify it. That is what I have been trying to do.

That has been fine and fair and it is the only way in my humble opinion that an industry in the United States can exist, any industry that needs that protection. Are the workingmen in your industry with you on our talk this morning?

Mr. SULLIVAN. Yes.

Mr. SMITH. Senator, we have over 6,000 persons employed by my company, Avondale Mills; 4,000 of those have told us they have written their Congressmen and Senators protesting what they think is about to happen to them.

They are with us 100 percent. I feel completely justified in saying when I testify before this committee I am testifying before you for the American Cotton Manufacturers and Avondale Mills and I am

especially testifying for 6,000 people who work for Avondale Mills. And I am justified in saying I represent those 6,000 people here.

Senator MALONE. Do you three agree that you represent practically 100 percent of the workmen in your industry in your argument this morning?

Mr. SMITH. I do.

Mr. SULLIVAN. I do, too.

Senator MALONE. The reason I ask this question is because it has been amazing to me to hear workmen and certain leaders of workmen over the country testify that they want free trade. Because the first man to suffer is the workman. And he suffers permanently.

Because if a man has an investment and it is not all wiped out, some way he can continue his standard of living; but a workman can't do it.

Take the CIO. The CIO in my State are not free traders. I think I can state that very definitely. My legislature passed a resolution opposing H. R. 1 that would do your hearts good and sent it to me the other day. That is the first time they have ever done that. It is the first time they have ever stopped to think about it. But the national leader of the CIO is a free trader, wants free trade—Mr. Reuther.

You do have unions, do you?

Mr. SMITH. No, sir, I do not.

Senator MALONE. Do you in the industries generally?

Mr. SULLIVAN. In the New England ones there are generally unions.

Senator MALONE. What are they affiliated with?

Mr. SULLIVAN. Both the A. F. of L. and CIO.

Senator MALONE. That branch of the union, the CIO is not for free trade.

Mr. SULLIVAN. Mr. Solomon Barkin of the Textile Workers Union of America will testify this afternoon.

Senator MALONE. I can question him then.

Mr. SULLIVAN. And all the A. F. of L. unions in Massachusetts have memorialized the Massachusetts Legislature to oppose free trade and tariff concessions.

Senator MALONE. Thank you, that is all I need.

Senator MARTIN. Senator Bennett.

Senator BENNETT. I have no questions.

Senator MARTIN. Thank you, gentlemen, the committee will adjourn until 2 o'clock.

(Whereupon at 1:25 p. m. the committee recessed.)

(The following letter was subsequently received for the record:)

THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.,
Washington 6, D. C., March 18, 1955.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR BYRD: During the appearance yesterday of Messrs. Smith, Sullivan, and myself before your committee, we were requested to submit for the record a comparison of textile-industry profits and all manufacturing profits after taxes based on capital investment.

Enclosed herewith is a table showing the annual rates of return on stockholders' equity, by quarters, since the beginning of 1950. I am also enclosing a similar comparison of the percentage return on sales from which we quoted yesterday.

All of the foregoing statistics were compiled by the Federal Trade Commission and the Securities and Exchange Commission.

Sincerely yours,

CLAUDIUS MURCHISON,
Economic Adviser.

Profits after taxes¹ (percent return on stockholders' equity, quarterly at annual rates)

Quarter	Textile mill products industry	All manufacturing industries	Quarter	Textile mill products industry	All manufacturing industries
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
1950—1st.....	10.8	12.0	1952—3d.....	4.7	9.9
2d.....	10.4	15.6	4th.....	4.9	11.3
3d.....	14.4	17.6	1953—1st.....	6.0	10.7
4th.....	14.8	16.4	2d.....	5.3	11.2
1951—1st.....	14.4	14.8	3d.....	5.0	10.5
2d.....	10.8	13.6	4th.....	2.1	9.5
3d.....	4.8	10.4	1954—1st.....	2.1	9.4
4th.....	4.1	11.2	2d.....	1.0	10.4
1952—1st.....	4.0	10.1	3d.....	1.9	9.3
2d.....	3.2	10.0	4th.....	(2)	(2)

¹ Federal income and excess-profits taxes
² Not available.

Source: Federal Trade Commission and Securities and Exchange Commission, Quarterly Financial Report of United States Manufacturing Corporations.

Profits after taxes (percent on sales)

Quarter	Textile mill products industry	All industry	Quarter	Textile mill products industry	All industry
1950—1st.....	5.4	6.2	1952—3d.....	2.1	4.3
2d.....	5.2	7.4	4th.....	2.1	4.4
3d.....	6.5	7.6	1953—1st.....	2.7	4.3
4th.....	6.1	6.9	2d.....	2.5	4.4
1951—1st ¹	5.1	5.6	3d.....	2.4	4.3
2d.....	4.2	5.2	4th.....	1.1	4.0
3d.....	1.6	4.2	1954—1st.....	1.1	4.3
4th.....	2.3	4.4	2d.....	6	4.7
1952—1st.....	1.8	4.2	3d.....	1.0	4.4
2d.....	1.5	4.2			

¹ New sample adopted.

Source: Federal Trade Commission, Securities and Exchange Commission.

AFTERNOON SESSION

Senator LONG (presiding). Mr. Hussey.

STATEMENT OF JOHN B. HUSSEY, COMMISSIONER OF CONSERVATION OF THE STATE OF LOUISIANA

Senator LONG. Mr. Hussey, other Senators will be along as we go along. I will just ask you to go ahead and start your statement.

Mr. HUSSEY. My name is John B. Hussey. I am the commissioner of conservation of the State of Louisiana. The Louisiana Conservation Department is a State administrative agency which regulates the search for and production of oil, gas, and other minerals within the State. It is similar to the Railroad Commission of Texas, the Oil and Gas Board of Mississippi, and the Oil and Gas Commission of Arkansas, and other State regulatory authorities, except that its juris-

diction is limited to natural resources such as oil and gas, and instead of having a multiple-man board, it has only a single commissioner. I am that commissioner.

My appearance here today has the full approval of the Governor of Louisiana. Incidentally, Governor Kennon is the chairman of the Conference of United States Governors. Both Governor Kennon and I sincerely appreciate this opportunity to testify before your honorable committee.

I would like to review for you first the position of Louisiana among the oil and gas-producing States of the Nation. Louisiana is the second State in the Nation in total production of gas, and the third State in the Nation in total production of oil. Actually, in comparing its size, Louisiana produces more oil and more gas than any other State in the Nation.

During 1953 and 1954, Louisiana was one of the largest contributors to the national reserves of oil and gas. Last year Louisiana had a greater net increase in reserves of petroleum liquids, which includes oil and distillate, than any other State in the Nation, accounting for better than one-third of the total national increase in liquid-petroleum reserves. According to the Oil and Gas Journal, Louisiana had an increase in gas reserves almost equal to that of all of the other States combined during 1954. The statistics of the American Gas Association for 1954 have not yet been published, but it is my understanding that they will credit Louisiana with at least 40 percent of the net national increase in gas reserves during that year.

Because of these facts, we feel that Louisiana and its oil regulatory bodies can speak with some degree of authority concerning national reserves of oil and gas.

I would like to point out the difference between supply and reserves. Supply is the amount of oil in aboveground storage available for refining. Reserves mean the amount of oil remaining underground which can be produced at later dates to meet the future needs of the national economy and of national defense in times of emergency.

Oil which is found in nature's storage and underground reservoirs is not subject to physical waste. But once that oil has been produced and is kept in aboveground storage, the oil is subject to evaporation, deterioration, loss by fire, and other actual physical waste. For that reason, the conservation of our natural resources requires that there not be in aboveground storage a greater supply of oil than is necessary to meet the current demands of industry or of national defense. The regulation of the amount of oil in aboveground storage is accomplished by conservation regulatory authorities, in order to prevent the physical waste that occurs during periods of excess supply.

Now, we have been criticized for exercising restraint in the allowance for the purpose of fixing prices. Actually, that is no part of the consideration. It is done to prevent the actual physical waste which occurs to the oil itself when it is kept in aboveground artificial storage, rather than in underground natural storage where nature put it.

Adequate reserves and supplies of oil and gas are necessary for the peacetime economy of this Nation, as well as for periods of war or other national emergencies. I would like for this committee to know and understand the problem of the State regulatory authorities in maintaining adequate reserves of these natural resources. Oil and

gas are not manufactured products, the supply of which can be increased by manufacturing more. Oil and gas are exhaustible and irreplaceable natural resources, the supply of which can be replenished only by discovery and development of new reserves. The actual supply of these vital resources to our Nation is not the individual reservoirs or fields, but is the industry which discovers and develops the new sources of supply, thereby maintaining the adequate reserves. In order to properly encourage the search for new reserves, it is necessary that no unfair competition develop, but that the industry be placed on a par and be able to compete on an equal basis with foreign oil.

In supporting the amendment which restricts and places quotas upon the import of foreign oil, the independent producers in the industry are not seeking an advantage for themselves, but are seeking an opportunity to compete on an equal basis with foreign producers as will be pointed out later.

Imports of foreign oil should supplement and not supplant domestic production, if we expect or hope to maintain adequate national reserves of petroleum. Let's examine the record during the past 2 years from the viewpoint of the State of Louisiana to determine whether these imports have been supplementing or supplanting domestic production.

During the last World War and the Korean conflict, it was necessary to build up in this country excess capacities both for refining and production of oil. After the end of these national emergencies, it still remained necessary for there to be maintained an excess refining and producing capacity in the event another such emergency might develop. The existence and use of this excess capacity created a surplus of crude oil and refined products in this country by the end of 1952. Realizing that there was too much oil and refined products in storage aboveground and that too great a physical waste was occurring because of the evaporation and deterioration of these excess supplies, many of the States began reducing the amount of oil which could be produced in their States.

This reduction in allowable production of oil by some of the States has brought the inventories and supplies of crude oil and refined products to a normal inventory situation in which there would not be excessive physical waste—there is no excess supply at the present time—but during the time that this excess inventory was being reduced by cutbacks by the States, imports have been gradually increasing and filling in the gaps and actually supplanting rather than supplementing domestic production.

Louisiana began reducing its allowable production in April 1953. These reductions in allowables were increased over the next year and a half until in September, October, November, and December of 1954, the depth bracket formula used to establish allowables for individual wells in Louisiana had been reduced to 48 percent of the March 1953 depth bracket. That means that the better producing wells in our State are now producing only 48 percent of the oil that they were allowed to produce in March of 1953.

During that same period, imports of crude oil and refined products into this country increased almost 20 percent, and are taking up the slack that is created in the effort to supplant our production of oil.

Senator SMATHERS. Is that 20 percent a total figure? You say imports have been increased 20 percent.

Mr. HUSSEY. That is a total figure of crude oil and refined products for the Nation. Now, that is a round figure. It might be something more or some fraction less than 20 percent. But that is a round figure.

Now, that is not in our area, there is no oil imported in our particular area.

Louisiana is now producing crude oil roughly at the rate of 650,000 barrels per day, which is far below its normal producing rate. Louisiana has a reserve-producing capacity which in the event of national emergency would permit us to produce without waste and without injury to individual wells in excess of 1 million barrels of crude oil and condensate per day. It is a vital thing to this Nation, both for its peacetime economy and as a protection against national emergencies or international conflicts, that we must maintain this reserve-producing capacity.

What effect does imported oil have upon our efforts to maintain this reserve-producing capacity?

One of the most important factors in the American economic system today is the cost of Government. I am certain that no one realizes that better than the honorable members of this committee.

Foreign oil does not bear its fair and proportionate share of the cost of American Government. I am sure that other witnesses have invited your attention to the effect that oil produced with low-priced labor in foreign countries has upon the workingmen in this country. The independent producers have adequately presented their viewpoint. I would like to explore this problem from the viewpoint of Government. I reiterate that foreign oil does not bear its fair and proportionate share of the cost of American Government.

The revenue which the Federal Government received from the hundreds of millions of barrels of crude oil imported into this country during 1954 was barely one-sixth of the amount which the Federal Government received during the identical period as income from leases on lands lying off the shores of Louisiana. I am not taking the other States, I am taking Louisiana alone. And the income which the United States got from the rentals on lands lying off the shores of Louisiana, and royalties, during 1954 was six times the income that they got from imported crude oil.

The United States is now engaged in leasing and developing for oil and gas the lands lying off the shores of Louisiana under the Submerged Lands Act. Actually, if we are going to bring a lot of low-priced, virtually tax-free oil into the United States, there is no point in the United States developing those offshore reserves at this particular time.

The people who develop these offshore lands will not build schools in these offshore areas to educate their children, but the burden will fall upon the State of Louisiana of building and supporting schools to educate their children. Most of the States in which the Federal Government owns land receive a portion of the income received by the United States from mineral development for public improvements and support of the State governments. The Federal Government has refused to give Louisiana a like proportion of the income from oil and gas from its offshore lands and yet Louisiana is to be burdened

with the obligation of constructing and maintaining additional educational facilities.

Approximately 25 years ago, then then Governor of Louisiana, and later Senator—Huey P. Long—father of our beloved and distinguished Senator, Russell B. Long, started a program of improvement of the school system in Louisiana and enacted a tax on the severance of natural resources from the soil. Through the proceeds from this tax the various governing authorities in Louisiana have been enabled to improve our school system from one of the worst to one of the best in the Nation.

During the period of 1954, our reduction in allowable production from Louisiana cost the State and its school system in excess of \$2.5 million. If imported crude oil and refined products are permitted to supplant Louisiana production the way they have during the past year, the damages to Louisiana's school system might well be disastrous.

If Louisiana is to bear the burden of educating the children for the workmen who develop the offshore oil properties of the United States, without any contribution from the United States, and is at the same time faced with the prospect of competing with virtually tax-exempt oil, it may prove too great a cross to bear.

It is vital to the economy and defense of this country that the national reserve and producing capacity of oil and gas be maintained. Louisiana has greatly contributed to the ability of this Nation to meet its economic demands for oil and gas both in time of war and in time of peace. We cannot continue to do so if foreign oil producers are permitted to supplant domestic production with oil that does not bear its fair share of the cost of Government.

It has been suggested that possibly the oil industry itself is not in agreement in the matter of restriction of imports of crude oil and refined products. I hope that the members of this committee will analyze the trend of the proponents and opponents. Those who oppose the restriction of imports are the major importing companies of this Nation themselves, the ones who benefit greatly from it, or oil jobbers who benefited from the oil which does not bear its fair share of the cost of the American Government.

The supporters of the amendment are the between 4,000 and 5,000 small, independent producers who want to be placed on an equal footing with foreign oil and want foreign oil either to be required to bear its proportionate share of the cost of American Government by paying a tax equivalent to that paid by domestic producers or that the amount of foreign oil brought into this country be restricted to that which would supplement and not supplant domestic production.

We thought that industry could voluntarily control imports to this point. I will say that some importing companies have made a sincere and conscientious effort to do so. But the record will show that this effort is not enough and the industry does not have control over the situation, and imported oil and refined products are now actually supplanting domestic production.

We are not asking for any advantage to our State or to the domestic industry. We are merely asking that you give the domestic industry a fair break and an equal competitive position, and our domestic producers and our State will stand toe to toe and slug it out with the importers.

The tax which the foreign oil does not pay to the Federal Government must be made up by the domestic producers and if foreign oil is not required to bear its fair share of that tax burden, that amounts to a subsidy to foreign producers of oil out of the pocket of domestic producers. It is our thought that the best approach would be to place a tax on foreign oil commensurate with that paid by domestic producers. Since such a program does not appear acceptable at this particular time, we feel that the least that can be done is to place quotas on foreign oil similar to quotas that have been placed on immigrants from foreign countries for so many years, so that foreign oil will not supplant domestic production and penalize the States which reduce their production for the purpose of preventing physical waste and conserving the natural resources of this Nation.

Thank you very much.

Senator LONG. I want to thank you for your statement and the kind personal reference, Mr. Hussey.

Let me ask you this, inasmuch as you don't make these figures available in your statement. What is the severance tax in Louisiana on a barrel of oil?

Mr. HUSSEY. It is a varying scale. I would be glad to send it to you.

Senator LONG. I think I had to write that law one time, I think it varies from 23 to 25; doesn't it?

Mr. HUSSEY. Twenty-six is the top on wells that are not stripper wells and that produce high-gravity oil. But it goes on down to about 10½ cents upon stripper wells and upon the lower gravities.

Senator LONG. That is based on the theory that a small well that is hardly paying its cost of operation shouldn't pay as heavy a severance tax as an oil well that is in a position to produce a lot of oil?

Mr. HUSSEY. That is correct.

Senator LONG. As a matter of fact, the severance tax has increased in Louisiana, but we simply didn't increase it on these little strip operations, because most of them couldn't afford to pay it.

Mr. HUSSEY. It would cause the abandonment of some operations, and oil would be less in the ground.

Senator LONG. We wanted those small stripper wells to go ahead and recover what could be realized from those marginal fields.

Mr. HUSSEY. That is correct. And I might say that the majority of oil produced in the United States is produced in those types of wells, and the greater reserves are in those types of wells.

And if they are forced into a situation where they cannot compete they will have to close down those wells prematurely and a lot of oil will be left underground, and the actual natural resources of this Nation which should be available to us will be lost to us if we can't have a fair competitive situation.

Senator LONG. Now, in addition to that, wherever you have State-owned land, all the State land and the water bottoms, also pay a royalty to the State government; do they not?

Mr. HUSSEY. That is right.

Senator LONG. That works out to be about how much a barrel?

Mr. HUSSEY. It depends on the royalty stipulated in the lease. If it were a royalty it would amount to top-priced oil, which is \$2.95 a barrel, it would amount to an eighth of \$2.95.

Senator LONG. About 30 cents a barrel in addition to that!

Mr. HUSSEY. In addition to that; yes.

Senator LONG. And those are changes that are not charged on foreign produced oil?

Mr. HUSSEY. Those are some of the many charges that foreign-produced oil does not bear. And if you would take a barrel of oil—I have not made the analysis—but if you take a barrel of oil from any State, not just from Louisiana, if you take a barrel of oil from any State, by the time it has reached the refinery it has contributed a great deal to the economy of that State.

Senator LONG. Is oil being discovered in Louisiana as rapidly as the reserves are being depleted?

Mr. HUSSEY. Discovered more rapidly. Louisiana reserves are being increased greater than any State in the Nation. Louisiana contributed one-third of the total net reserves of the oil in the United States.

Senator LONG. Can you give us some comparison between the extent to which reserves are being depleted and the extent to which new reserves are being located?

Mr. HUSSEY. We are locating more reserves each year than our production to the extent—I will give you the exact figures for 1954 as an illustration—Louisiana's increase in crude oil reserves was approximately 202 million barrels, and an additional 71 million barrels in liquid-petroleum reserves.

Now, that is a net increase over and above the amount of our annual production. That was for 1954.

Senator LONG. Does that situation obtain across the Nation as a whole?

Mr. HUSSEY. The other States don't have quite as large an increase, and some States are actually facing a decrease in reserves. I don't have the exact figures, but they will be available from a publication, a joint publication by the American Petroleum Institute and the American Gas Association.

The American Petroleum Institute reports nationwide reserves by States, of course, of oil each year. And the gas association reports the gas and the gas-liquid reserves. Those will be available—I understand that they will be distributed and published this week.

Senator LONG. You are in the conservation commissioner in Louisiana. If you were given the authority by the Federal Government, or if you were called upon to produce all the oil Louisiana industry is capable of producing, and following good conservation practices that wouldn't damage the fields, or prevent you from gaining full recovery as these reserves are depleted, how much more rapidly could those reserves be drawn upon than the 650,000 barrels per day which the State is producing presently?

Mr. HUSSEY. We could produce in excess of a million barrels without waste for a national emergency. And I hope we can over the years.

Senator LONG. That would be an increase of more than 50 percent?

Mr. HUSSEY. That is right. I hope over the years that we can maintain that position. But we maintain that position by encouraging the industry to find and develop these new sources of supply. And if they have got unfair competition and we can't encourage them to find these new sources we can't maintain that position for too long a period.

Senator LONG. I believe you pointed out to me that there was not much point in the Federal Government developing the federally owned portion of the tidelands in the State if the State was going to curtail its oil production.

Mr. HUSSEY. That is entirely correct. I might say that Louisiana is the only State in the Nation which under the Submerged Lands Act contributed to the Government already producing oil wells. As I stated before, the United States has made off of lands lying offshore of Louisiana in 1954 alone \$119 million.

Senator LONG. How do you compute the figure that the Federal Government has received from the oil imports?

Mr. HUSSEY. That was gotten from one of the Government agencies here in Washington. I don't have the telegram available right at the minute, but I can find it. But it came from one of the agencies right here in Washington.

Senator LONG. One other point that has concerned me, I fear that many people tend to feel that the so-called Neely amendment and the amendment that has been offered to curtail oil imports would do more harm than they actually would do good for industry, inasmuch as American industry is capable of producing far more oil than is being produced—in other words, both the oil producers and the coal producers can't gain a 100 percent benefit from any limitation or reduction of oil imports.

Do you have any specific calculation of what this might mean to Louisiana if there were a curtailment of importation of foreign oil?

Mr. HUSSEY. To the extent that last year it cost us \$21½ million more than it did the year before, cost our school system \$21½ million more than it did the year before—and the year before we were operating under a reduced allowable also. So I would say that it is costing the State of Louisiana right now, and the oil imports are very greatly contributing to this loss, more than \$21½ million a year to our school system.

Senator LONG. How do you arrive at the conclusion that it would mean that much additional increase in oil production in Louisiana? Have you computed your estimate by using the amount that you believe foreign oil imports should be curtailed?

Mr. HUSSEY. No, I don't think that you could compute it on a barrel to barrel basis. But the cancerous situation, I would call it, is this, that when we cut back in order to keep our reserves and to keep such a situation healthy, they run in an increase. If you would keep them on the basis that they have been it would be all right, but not let them just gradually increase.

You notice in the press that just recently since this amendment has been proposed many of them have come out and said in the press that they intend to reduce, but they haven't been doing it, while they have been asking for reduction in our State allowables they have not been accomplishing it.

We thought that the industry could do it itself. But it hasn't done it. And these new promises, I don't think are of any great benefit. As soon as the pressure gets off they will start again, they will just keep increasing it as we cut back, or they may try to increase it regardless of whether we cut back or not.

Senator MALONE. As I understand your position, you feel that it is bad conservation practice, as it is generally applied by industry, to

take it above ground more rapidly than it can be used and store it above ground, and that it is wasteful to store it above ground?

Mr. HUSSEY. That is a recognized conservation practice.

Senator LONG. And every time you try to control the amount above ground, try to keep it within the amount that good conservation practices would dictate, the importers bring in more into the Nation than you have above ground?

Mr. HUSSEY. Yes.

Senator LONG. Thank you.

Senator SMATHERS.

Senator SMATHERS. First, I want to commend you on that very fine statement and for those remarks you made about the junior Senator from Louisiana being beloved and interested in your State.

And I want to say that I don't know anyone here who has more assiduously represented his State than the junior Senator from Louisiana.

Let me just ask a couple of questions about this. This crude oil which you say has increased, the imports have increased 20 percent, from what countries does that come?

Mr. HUSSEY. I don't have the exact figures with me. They are available, and I would be glad to give them to you.

Senator SMATHERS. Do you know how much of that oil is high-grade oil and how much is what you call residual oil?

Mr. HUSSEY. I have not figured it in that proportion. But I would like to say that some of it is residual oil. But, under the guise of bringing the residual oil in, they are also bringing in high-gravity oil, importers' oil.

Senator SMATHERS. If there were some practical means of limitation limiting these imports to residual oil, then you wouldn't have any objection to the importation of the same amounts that they have been importing if it were really and truly residual oil?

Mr. HUSSEY. I don't believe we would have any serious objection to that, Senator.

Senator SMATHERS. That is all I want to ask.

Senator LONG. Senator Malone.

Senator MALONE. Mr. Hussey, I am going to say, first, that I remember with great pleasure the visit I had with your Governor, in 1953, I think.

Mr. HUSSEY. Thank you.

Senator MALONE. And, as I understand your testimony, you are not objecting to any domestic competition; you are only objecting to a lack of fair and reasonable competition with foreign imports.

Mr. HUSSEY. That is correct, Senator.

Senator MALONE. You wouldn't want any more protection than just a fair and reasonable competitive basis?

Mr. HUSSEY. We are not asking for an advantage; we just want to be put on a par with them.

Senator MALONE. Now, you are aware of the testimony of one of the so-called major companies—I do not know exactly what companies come under that "major" category. Do you?

Mr. HUSSEY. Well, it is not a finely drawn line.

Senator MALONE. Would you name a few of them that are generally classed in that category?

Mr. HUSSEY. Take the Standard Oil groups, the Texaco, and Gulf—

Senator MALONE. Shell.

Mr. HUSSEY. Shell.

Senator MALONE. Is the Union in that category? I guess not. It is not a foreign producer.

Mr. HUSSEY. I don't believe that they are a foreign producer. And I would not say that they are not a major company. There is no fine dividing line where a company becomes a major company.

Senator MALONE. But the majors that are interested in foreign imports are mostly the ones you have named.

Mr. HUSSEY. And I think they have a particular economic problem of their own.

Senator MALONE. I recall in hearing evidence before another committee 2 years ago where a distributor for the New Jersey Standard Oil Co. testified in much the same manner as the chairman of the board of Standard Oil of New Jersey testified a few days ago. I have a high regard for these men; they are good citizens; they are fine businessmen; they have developed fine companies.

Their testimony was to the effect that they should be allowed to judge how much oil would be imported and how much would be produced here locally and domestically, and keep that balance. I understand that you don't agree with that.

Mr. HUSSEY. If they would judge it completely impartially and from the viewpoint of Government and not from an economic situation of their own, it is possible that that could be done, provided they had control of the situation.

Now, I would like to say that I feel that Esso Standard, or the Standard of Jersey, has done a pretty conscientious job in endeavoring to limit their imports. But the total imports they have no control over.

And the total imports have gotten out of hand. And the companies that come here and ask you for permission to control it themselves just haven't been able to do the job.

Senator MALONE. In other words, if they curtailed their imports they might find themselves in the same position as the State of Louisiana; it would be made up by somebody else. So when you cut your production it is made up by imports, and if they cut their imports it might be made up, or more than made up, by other companies.

Mr. HUSSEY. I think that is well expressed, Senator.

Senator MALONE. I recall my visit with Governor Kennon, of Louisiana, and I also recall he was a witness before the Minerals, Materials, and Fuels Economic Subcommittee, of the Committee on Interior and Insular Affairs. And this is substantially what he said:

Governor Robert F. Kennon, of Louisiana, pointed out that oil and gas are a source of taxation that contributes to the support of the Louisiana public school system and other governmental activities in the State.

That is what you were referring to; is that correct?

Mr. HUSSEY. Yes.

Senator MALONE (reading):

And that imports of petroleum should pay as an import duty or tariff, the difference between the wages and taxes in this Nation and the chief competing country.

That is substantially what he testified to.

Mr. HUSSEY. That is correct.

Senator MALONE. Now, he said further—which I thought was very good—

That the policy decision on tariffs should lie with the Congress, feeling that perhaps the executive would be in a better position with its dealings with foreign countries, to be in a position to say that the responsibility of setting tariffs is with the Congress, and as much as we would like to be as friendly as possible with you, we have to conform to the laws of our land.

If our trade relations with you develop as we hope they will, no doubt Congress in due course will recognize that and give concessions that are appropriate.

You say at the present time you are producing about 48 percent of the amount of petroleum which was allowed in 1953?

Mr. HUSSEY. I say, Senator, that individual wells have been cut back that much. We get new production in Louisiana, and therefore, our total production is not reduced that much.

Senator MALONE. I understood someone to testify that in Texas they were down to 18 days in their producing wells. Are you on a day basis?

Mr. HUSSEY. We are not on a day basis. That is the State of Texas. And the dates that they use in there are not actually days of production, but that is just a factor used in calculating their production.

Senator MALONE. Now, further, I note that you say that Louisiana under the regular, economic production which would not injure or destroy the wells through overproduction, that, you could produce a little in excess of a million barrels rather than the 650,000 barrels they are now using per day.

Mr. HUSSEY. I added condensate to that, which accounts for approximately 40,000 barrels of production. That is the liquid petroleum produced.

Senator MALONE. You also said that the Government had encouraged this production during the war, and since that time the imports have increased and were cutting this production down.

Mr. HUSSEY. That is correct.

Senator MALONE. Now, wasn't there a time following World War II when the Government was encouraging the companies to increase their potential to about 2 million barrels above what was ordinarily produced regularly for a possible third world war?

Mr. HUSSEY. That is my understanding. I have had no personal contact with the Federal Government in that relation, but that is my understanding.

Senator MALONE. I understood it was 2 million—it might have been a little less or a little more—but they wanted excess possible production so that if a war should come and outside production should be cut off, especially from the Middle East, there would be an adequate supply here for us.

Mr. HUSSEY. Such a reserve would be very advisable, correct.

Senator MALONE. How do you keep a reserve continually in a going concern of petroleum production? What encourages you to do that?

Mr. HUSSEY. We increase a reserve by a development of known reserves and by discovery of new reserves. That is encouraged by giving the industry a fair break.

Senator MALONE. In other words, you continue your production, and out of that production, with certain tax concessions, you can

accumulate a fund to drill a few dry holes and get a good one once in a while and discover new fields.

Mr. HUSSEY. That is correct.

Senator MALONE. And that is the way it has been carried on for a considerable time?

Mr. HUSSEY. That is correct.

Senator MALONE. It is your belief, I take it from your testimony, that if there is no adequate market; that is, at a price that can make a profit on the investment, then this new field discovery is discouraged?

Mr. HUSSEY. Our position is that unless there is an equal competitive market, then it will be reserved—and certainly if there is not an adequate market new discoveries will be discouraged.

Senator MALONE. What you mean by that is that there must be some kind of a principle laid down by the Congress of the United States so that you do not have to be coming to some Federal bureau all the time and being on pins and needles as to just what is going to happen to you; a principle laid down of, say, fair and reasonable competition on a competitive basis so that at least you have equal access to our own market here.

Mr. HUSSEY. I certainly agree with you, Senator.

Senator MALONE. You are not asking any more than that, are you?

Mr. HUSSEY. Nothing more.

Senator MALONE. And it would seem that any industry asking for equal access to their own markets in America wouldn't be asking for too much?

Mr. HUSSEY. I personally would see no objection to it, Senator. I am not versed in the international market as to anything other than oil.

I am the commissioner of oil and gas conservation of Louisiana, and I believe I can pretty well express the situation of that industry and of the State efforts to maintain these reserves. I don't believe I could go further, but personally I would agree with your suggestion.

Senator MALONE. Now, there is no other way to tax this oil that is produced in the Middle East and brought in here unless it would be on a par, as you suggested and as your governor has heretofore suggested. That would make up the difference between the wages paid here and the taxes and everything that goes to support the Government. There is no other way to do that except through a tariff or a duty is there?

Mr. HUSSEY. I wouldn't know of any other, Senator.

Senator MALONE. And if they did that, as you have both suggested, that would be satisfactory all around?

Mr. HUSSEY. Entirely satisfactory.

Senator MALONE. Did I understand that you are advocating a quota now on imports of oil? Did you advocate the quota? I didn't hear all of your testimony.

Mr. HUSSEY. There is a bill before the committee for consideration at the time which involves a quota. We feel like that is more or less second choice. We feel that would be a step in the right direction, and we certainly advocate that.

Senator MALONE. What you would rather have, then, if you want a basis of fair and reasonable competition, would be to let this act expire and let it go back to the Tariff Commission on the basis of fair and reasonable competition. Then if the President would cancel by

notification of the countries the trade agreements that have been made, these would revert to the Tariff Commission, and then you would have a fair break.

Mr. HUSSEY. I am not fully familiar with the working of the Tariff Commission, but if the Tariff Commission would then place the same burden upon the foreign oil, then we would have the same break, that is correct.

Senator MALONE. What did section 336 in the 1950 act that covers this particular thing say? There is only one principle laid down by Congress, and that is, the Tariff Commission is to determine the cost—not the high or the low cost—but the fair cost of production of any product in this country, whether it is oil or tungsten or textiles, or anything else, and the fair cost of producing that same article or a like article in the chief competing nation, and recommend the difference as a tariff. They have no other alternative. Would that sound like a principle that might work?

Mr. HUSSEY. It sounds quite reasonable, Senator.

Senator MALONE. Now, there is a bill introduced here that purports to cover critical materials, but it only goes into detail as to what to do about the petroleum. I want to call your attention to one of the bills that I have introduced on several occasions here. The bill is S. 404, this year. It covers all products in the same manner. That is to say, it reorganizes the Tariff Commission, calls it a Foreign Trade Authority, and leaves it in the hands of the Tariff Commission to determine the tariff on the basis of the difference in cost of production, and it enumerates the factors that are included, and also gives them the right, where a tariff doesn't altogether do the job, to invoke quotas.

I have another bill, S. 400 of this year, and it does exactly the same thing, only on strategic materials, which would include petroleum.

Now, if you were going to advocate something of that nature on petroleum, you would have no objection to having the other critical materials included, would you?

Mr. HUSSEY. I would have no objection to it, Senator. Of course, I am here on behalf of the natural resources of my State, because that is my job. And I certainly would have no objection to the other.

Senator MALONE. I understand you are here—and most people come here—for a specific purpose. But it is, generally speaking, a better policy to have some definite principle laid down that covers materials in the same category.

The minerals people have been here, the textiles people were here all morning—you heard their testimony, did you not?

Mr. HUSSEY. I wasn't there this morning, no, sir.

Senator MALONE. They were very good witnesses, as good as I have ever heard on the subject. They are hurt, just as your petroleum industry is hurt, and they are only asking for a fair break in their own market. They aren't even asking for any foreign markets, just a fair break on the part of their own. So a bill such as I have described that covers the strategic materials such as minerals and petroleum, you would see no objection to it?

Mr. HUSSEY. I would see none.

Senator MALONE. This bill has already been included in the record at another point, so I will not include it now. For example, it says specifically:

The Authority is authorized and directed from time to time, and subject to the limitations herein provided, to prescribe and establish import duties upon strategic and critical metals, minerals, or other materials, which will provide for fair and reasonable competition between domestic articles and like similar foreign articles in the principal 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 markets in the United States is a fair price—

and it goes on to describe it. You can also consider the offered-for-sale price.

So all of this argument that you can't determine the oil cost over in the Middle East, or you can't determine the cost of textiles in England, flies out the window. They have to sell it for something, and when you start selling it you know what they consider it worth.

Now, then, they can also take into consideration:

Any change that may occur or may reasonably be expected in the exchange rate of foreign countries either by reason of the evaluation or because of a serious imbalance of international payments.

They have been manipulating the price of their currencies to make ineffective any trade agreement or any trade agreement on tariffs that they make.

Then it goes on to say:

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—

which is fair and reasonable competition.

Do you think that would sound all right? If you are going to protect one strategic material it might be a good idea to just make it apply to all the critical materials?

Mr. HUSSEY. It sounds entirely reasonable.

Senator MALONE. And, of course, many people go further—I do myself—I think it should apply to all the materials and products in the United States so that we protect our economy.

Mr. HUSSEY. I wish you success in it, Senator.

Senator MALONE. I think we will have it. It is just a question of how long it is going to take.

Now, no one could improve on your testimony. You have made a good statement. You have made a good point about your school system. And I want to join with Senator Smathers' remarks about the effectiveness of your Senator here. He is for Louisiana. You always find him in that corner.

Mr. HUSSEY. We are quite proud of him, Senator.

Senator MALONE. Mr. Chairman, that is all of the questions I have.

I want to compliment the witness on his grasp of the situation.

Senator LONG. Thank you very much, Senator Malone.

Thank you, Mr. Hussey.

Mr. HUSSEY. Thank you.

Senator LONG. W. Ray Bell, president of the Association of Cotton Textile Merchants of New York.

STATEMENT OF W. RAY BELL, PRESIDENT, THE ASSOCIATION OF COTTON TEXTILE MERCHANTS OF NEW YORK

Mr. BELL. Mr. Chairman and gentlemen of the committee, I am W. Ray Bell, and as president of the Association of Cotton Textile Merchants of New York, greatly appreciate the privilege of appearance before your committee. Our members are marketing firms and sales agencies which sell and distribute through domestic and export channels, the great bulk of woven cloth and other textile products made by the cotton mills of this country. Our statement to the House Ways and Means Committee expressed the view that new legislation which would grant executive authority for further reduction in textile tariff rates was inopportune and would probably do more harm to domestic employment and mill operations than benefit to the foreign producers. We attempted to expose a complete contradiction between the workings of our foreign policy as exemplified by H. R. 1 and the long-established goals of domestic policy, incorporated in many statutes of labor, farm, and social legislation. Since the statement is already part of the record we shall try to avoid its repetition except to reaffirm our conviction as to the vital importance of the textile industry in the American economy, especially as a necessary and large source of employment, the backbone of its cotton consumption and an indispensable factor of national security.

We realize fully that the legislation before you has no specific reference to textiles and that the President has publicly announced an assurance that administrative practices under it would not jeopardize any American industry. We do not hold this assurance lightly and respect its sincerity but this does not alter the fact that the administration seeks through this legislation new and extensive powers from the Congress to further reduce the tariff margins of protection for domestic production in favor of expanding American markets for the foreign producers. This has been the consistent direction of our foreign policy since we began to participate in the General Agreement for Tariffs and Trade. In that international atmosphere, negotiating teams representing the United States sit around the table with 10 or 12 foreign nations which are also surplus producers of cotton textiles. All of them want access to our markets. As a result of the bargaining at Geneva, at Annecy, and Torquay, tariff concessions by our side on textiles have been generous and today our average rates of duty are the lowest in modern history. In testimony before administrative agencies we have opposed a freezing of these concessions for future years and we have urged that textiles be withdrawn from the bargaining list in current negotiations with Japan.

Our opposition to those measures and the further grant of tariff-cutting authority is based primarily on our experiences with Japanese competition and the potentialities of future disaster if our present margins of protection are lowered. The facts are that Japan has been the chief beneficiary of these concessions by reason of their generalized character. Her percentage of American imports of cotton piece goods has increased from a minor proportion in 1951 and 1952 to approximately 50 percent in 1953 and about 65 percent in 1954. In other classifications of the tariff schedules, covering fabricated products such as pillowcases, towels, table damask and manufacturers

thereof, and many other articles, the Japanese position is even more predominant.

To what extent the existing concessions have contributed to the rapid acceleration of Japanese trade here cannot be determined but one certain fact is that current tariff rates have proved no deterrent to the expansion of their shipments of textiles and apparel into American markets. Especially since last summer these have been of wide variety and ever-increasing volume. To illustrate their broad scope I would appreciate permission of the committee to enter in the proceedings of this hearing, as exhibit A, a marked copy of the Journal of Commerce Import Bulletin, volume 9, No. 448, and dated March 9, 1955. And that was the last issue that was available. On pages 9, 10, and 11 of this publication is listed by countries a report of cargoes covering textiles, apparel, and novelties, coming into the port of New York during the preceding week only. A condensed summary of the cotton-fabric items will include the following totals:

	Bales	Cases	Cartons
Ginghams.....	465	27	.....
Cotton piece goods and textiles.....	1,071	294	10
Pillowcases.....	431	75	34
Bedspreads.....	118	29	.....

Of the apparel imports for this single week, there is a total of 474 cases, 227 bales, and 595 cartons, largely containing ladies' blouses made of broadcloth, men's and boys' shirts made of gingham and fannel, and cotton gloves.

The weekly arrivals of merchandise vary, of course, both in character of product and volume but this is a fair sample of the rising tide of Japanese imports which even now is supplanting American production and undermining textile values based on American costs. Their impact is especially difficult at a time when the margin of profitable operation in this country remains excessively narrow.

Considered only in their percentage relation to the large volume of American production, our fears over this weekly increase of several million yards seem exaggerated to some of the proponents of tariff reduction. Being unfamiliar with the habits or the history of textile markets they assume that substantial quantities of foreign textiles can be absorbed into American distribution with no worse effect than the curtailment of equivalent production here and there or at most, the liquidation of some marginal plants. Unfortunately, the extent of damage cannot be rated in the simple limits of displaced yardage. Our major injury today and the continuing threat of disaster lie chiefly in the demoralizing effect on American textile values of the depreciated price levels under which the Japanese product is marketed here. This applies not only to the billions of yards in piece goods constructions but to more limited fields of specialty fabrics and a wider range of fabricated textile products for household and apparel use. Just as a stream can be polluted by a small amount of toxic material, our highly sensitive markets are quickly responsive to price-cutting competition.

Let me explain this textile market situation in more concrete terms. Our largest single cloth construction is the 80-square print cloth,

a gray or unfinished fabric, of which about 725 million yards are estimated to have been produced in 1954. On a weekly basis, that is about 14 million yards. It means that on average our members and others are charged with selling this 14 million yards weekly. These goods are made by many mills in this country. They are sold competitively in a market so sensitive that price changes are frequent, often daily, and at times of great activity even hourly. A difference of one-eighth cent a yard often means getting or losing an order and sometimes it reflects profit or loss on the transaction. The goods are of multiple use but much goes to converters and to the apparel trade. Markets for the converters' finished goods, in bleached, dyed, or printed form, are equally competitive and close, so that the advantage of an attractive graygoods price for one converter makes it tough for his competitor who has a higher gray cost.

The Japanese industry can and does make fabrics in the 80-square construction, as well as other standard American types of both carded and combed gray fabrics, in print cloth, broadcloth, poplin, leno shirtings and other familiar descriptions. In the gray state they are purchased because of an attractive discount from the American price. After being finished, their identity as Japanese goods is lost as the finished goods enter distribution channels either as piece goods or apparel. In either case they pass for American merchandise to consumers here or in displacement of United States exports. At current tariff rates Japan can and does lay down these goods in ever-increasing volume on the New York market below the competitive market prices for American goods. Incredibly low labor costs make it possible.

Let us say that in a typical week, a hundred thousand, or three hundred thousand, or five hundred thousand yards of Japanese 80-square print cloths come into our market, discounting the American price. The sale of such a quantity, although small percentagewise, becomes known immediately and sets a pattern for the trade. Buyers who did not get the goods will have to compete in the finished goods market with those who did. Their pressure on American mills for a price closer to the competitor's cost will be general, and strong. Since the mills are highly competitive among themselves, price concessions are made likely. Such concessions may not be away down to the price of Japanese goods, since that would mean below-cost prices for all the mills, but concessions that are made will depreciate the price structure on the entire 14 million yards of weekly production of American goods. Repetitive imports, from week to week, will have like effect and the market is condemned to a depressed level while such imports continue.

Because of their bellwether importance in the textile markets, if low prices prevail in print cloths, other goods are sympathetically affected in price and thus a very small quantity of imports may cause incalculable damage to prices and market confidence throughout the whole range of cotton-goods production.

In this manner, the importation of foreign gray goods is exactly the same as bringing in quantities of raw material such as cotton which likewise is unidentifiable after later processing. Yet American cotton is protected to practical exclusion of comparable foreign growths through a tight country-by-country quota. By comparison, textiles are almost without protection against the overwhelming cost

advantages of oriental countries. These advantages do not stop with the spinning and weaving operations, but are multiplied, as woven cloth is first processed by finishing into bleached, dyed, or printed fabrics. The cost and price disparity between American and Japanese production naturally becomes wider at this step which is essentially a means of providing more selective raw material for the apparel and household trades. Finally, there is a pyramiding of the labor advantages in the fabrication of specific textile articles for household use or wearing apparel. Here the foreign values have been so low under existing tariff rates that domestic mills were forced to abandon entirely the area of low-range competition and confine their efforts to the higher ranges of style and quality.

The infiltration has been particularly effective in the segment of table damask and manufactures thereof. Here imports have jumped from 1,427,000 pounds in 1949 to 4,376,000 pounds in 1954, only slightly less than the total of United States production, which is estimated at about 5,500,000 pounds. About 80 percent, or 3,480,000 pounds, were of Japanese origin against 272,000 pounds in 1949. In another tariff category, imports of kitchen and dish towels, with a declared value averaging 5½ cents each and practically all from Japan, have zoomed from 91,000 units in 1949 to 10 million in 1952, nearly 11 million in 1953 and 12,598,000 in 1954.

Even at retail values of 10 cents each, price competition from American mills would not be profitable on such items. Pillowcase markets are under similar pressure from Japanese products, averaging less than 18 cents each on declared value of 1,337,000 units in 1954. This quantity is almost double that of 791,000 units in 1953 and compares with negligible amounts in preceding years.

These illustrations will serve to show how widely the Japanese competition has penetrated into selected areas of integrated manufactures, in a form ready for consumer use. Having additional advantages in labor costs, the price gap is greater and the ever-increasing volume of imports is a much larger proportion of the relevant American production. And in other fabricated goods, the problem goes much further. Apparel, made in Japan from native Japanese cloth, is also coming into the United States in volume, particularly as shirts for men and boys and ladies' blouses. These are entering our ports by the thousands of dozens and where in cloth competition Japan's price margin is stated in cents per yard, here it becomes a matter of dollars per garment at retail, with wholesale prices quoted below the bare cost of materials and findings. Certainly the garment trades are as competitive or more so than the textile trades, which normally supply their basic cloth material. The textile industry loses in yardage sold and again suffers from the demoralizing effect of low-price Japanese competition which gradually infects the markets of our industry's customers. Except for the retail stage of distribution, every outlet of market demand is now under fire in markets where price has traditionally been an all-important factor.

The facts of textile markets are that Japan through its enormous advantages in labor costs, abundant supply of willing workers and diversified industry can take over almost at will any area of our textile markets which its producers and traders choose to exploit. They have the present advantages of all the tariff concessions previously made in negotiations with other countries. Under the present

tariff rates their business is expanding rapidly in every direction. Because of the wide disparity in prices, American values and the opportunity for profitable operation are being undermined by these imports, causing distress far out of proportion to the actual displacement of yardage. In our opinion, the potential new reductions under H. R. 1 would only serve to enlarge Japan's existing price advantages and encourage the further diversion to our shores of goods which could be more useful in supplying the needs of southeast Asia and Africa.

Except for detail, this problem of Japanese imports is little different than it was 20 years ago when the Tariff Commission under Senate Resolution 104 of the 74th Congress investigated relative costs, and recommended tariff increases averaging 42 to 43 percent on certain ranges of competitive bleached and finished goods. This increase in the tariff rates was proclaimed by the late President Roosevelt on May 21, 1936. I may say, Senator Malone, that was under section 336 of the Tariff Act. Since that time American cotton textile wages have risen from an average of 36 cents per hour to approximately \$1.25 per hour. Japanese wages have also gained substantially but are still under 14 cents an hour. In general, present tariff rates on textiles are considerably less than in 1936 and the Japanese industry, practically rebuilt since the war, is far better equipped in technological skill and efficiency.

The fundamental objectives in the Tariff Act were to encourage domestic industries and to protect the American worker. We believe that neither purpose will be served by this bill. Adequate protection of the American textile industry against the products of Japan and the low-wage Orient is vital to this country. It is vital to wage earners who in the textile and apparel trades account for 1 out of every 8 employed by manufacturing industry in this country. It is vital to cotton farmers, for America is by far their best, largest and quota-protected market, while Japan can and will use whatever cotton is most cheaply attainable in world trade. And as armies cannot move without cotton, it is vital to our national defense. We urge that these important values be recognized by the Congress in any tariff legislation.

(The Import Bulletin referred to is as follows:)

[Journal of Commerce—Import Bulletin, New York, March 9, 1955]

TEXTILES, APPAREL & NOVELTIES

(Week of March 9, port of New York)

APPARELS—JAPAN

- 15 cs ctn gloves—Reliance Intercontinental Corp (23-B)
- 28 ctns wool & nylon moccasins—Van Wagenen-Sager Inc, Syracuse (23-B)
- 1 cse wool gloves, knitted wear & slippers—Elliot Import Corp (23-A)
- 5 cs fabric gloves—Reliance Intercontinental Corp (23)
- 2 cs pearl beaded handbags—A Blatt (23)
- 3 cts chip hats—Levin Bros (23)
- 11 cs flannel shirts, 26 cs ladies blouses—Haddad Sons (23)
- 113 ctns toyo bags, 1 ctn visca hats—Guaranty Trust Co (23)
- 17 cs willow handbags—Pyramid Leather Goods Co (23)
- 50 ctns cotton polo shirts—Haddad & Sons. (23)
- 1 cse ladies' ctn gloves—Heemsoth Kerner. (23)
- 98 cs handbags, 3 cs handbag decorations—Guaranty Trust Co. (23)
- 8 ctns woolen fringed stoles—NY Factors, Inc. (23)
- 80 ctns cotton knit boys' polo shirts—Haddad & Sons. (23)

- 42 ctns cotton knit children's shirts and pants, 16 ctns cotton knit children's cardigans—Haddad & Sons. (23)
- 37 cs cotton blouses—Miss Pat Fashions, Inc. (23)
- 37 cs cotton blouses—Miss Pat Fashions, Inc. (23)
- 3 cs pearl beaded handbags—A Blatt. (23)
- 8 cs oval willow baskets—Reliance Intercontinental Corp. (23)
- 18 cts willow hand baskets—Simon Intern Corp. (23)
- 10 bls boys' cotton pullovers—A Schachter, Montreal. (23)
- 15 bls cotton blouses—Toyomenka, Inc. (23)
- 2 cts chip beach hats—Teigh, Inc. (23)
- 125 ctns cotton polo shirts—Haddad & Sons. (23)
- 4 cs ctn fabric gloves—Elliot Import Corp. (23)
- 81 ctns boys' flannel shirts—Haddad & Sons. (23)
- 116 ctns boys' flannel shirts, 45 ctns ladies' blouses—Haddad & Sons. (23)
- 50 ctns cotton knit boys' polo shirts—Haddad & Sons. (23)
- 8 cs nylon gloves—Heemsoth Kerner. (23)
- 9 cts willow handbags—Pollak Feather Corp. (23)
- 44 ctns ladies' blouses—Haddad & Sons. (23)
- 4 bls cotton blouses—Toyomenka, Inc. (23)
- 3 cs wool baby socks—Haddad & Sons. (19-G)
- 10 cs paper handbags—Liebermann Waelchli. (19-G)
- 11 cs ctn string gloves—I B Cohen & Sons. (19-G)
- 17 cs gloves—Elliot Import Co. (19-G)
- 20 cts straw bags—Teigh Inc. (19-E)
- 6 cs childrens hand bags—I Strauss. (19-E)
- 22 cs ctn gloves—Floreia & Co. (19-D)
- 11 cts willow bags—Reliance Intercontinental Corp. (19-E)
- 8 cs nylon gloves—Floreia & Co. (19-D)
- 2 cs Hawaiian chip lei, 3 cs novelty hats—Langfelder Homma & Co. (19-D)
- 6 bls—Col-Ven Corp. (19-D).
- 16 cs woolen mens fabrics—Meadows Wye. (19-D)
- 28 cs straw hats, caps & chip beach hats—Teich Inc. (19-D)
- 10 bls cotton white mens t-shirts—Haiat Trdg Co, Montreal. (19-D)
- 61 cs straw bags—NY Mdse Co. (19-D)
- 3 cs ctn string gloves—Floreia & Sons, Montreal. (1-J)
- 36 cs wool gloves—Reliance Intercontinental Corp. (1-J)
- 34 cs cotton blouses—Mfrs Trust Co. (1)
- 15 cs paper handbags—Lierbermann Waelchli. (1-B)
- 2 ctns occasins—Babyknit Co. (1-B)
- 25 cs cotton blouses—Miss Pat Fashions, Inc. (1-B)
- 26 cs wool gloves and slippers with wool uppers and leather soles—Elliot Import Corp. (1-A)
- 2 cs ctn gloves—Elliot Import Corp. (1)
- 19 cts willow bags—Reliance Intercontinental Corp of NY. (1)
- 5 cs woolie nylon gloves—Liebermann Waelchli. (1)
- 64 ctns grass rush bags—Simon Intern Corp. (1)
- 30 cs handbags—Ritter & Ritter. (1)
- 15 cts willow bags—Reliance Intercontinental Corp. (50-C)
- 13 cs toyo paper bags—NY Mdse Co. (50-H)
- 23 cts straw bags—NY Mdse Co, Dallas. (50-F)
- 29 cs cotton T-shirts—NY Mdse Co. (50-F)
- 2 cs ctn gloves—Elliot Import Corp. (50)
- 35 pks willow baskets rush bags, Toyo paper bags—Simon Intern Corp. (50)
- 7 cs gloves—Elliot Import Corp. (50)
- 38 pks handbags—Ritter & Ritter. (50)
- 31 ctns cotton gingham mens shirts, 23 ctns cotton gingham boys shirts—Haddad & Sons. (50)
- 61 cts painted willow handbag baskets—American Basket Corp. (50)
- 20 bls white cotton T-shirts—Orexco Ltd, Montreal. (50)
- 11 pks straw caps, straw coolie hats & chip hats—Teigh Inc. (50)
- 55 cs white & dyed cotton broadcloth blouses—NY Factors Inc. (50)
- 4 cs white & dyed cotton broadcloth blouses—Nichimen Co. (50)
- 5 cts willow handbags—Reliance Intercontinental Corp. (50)
- 57 pks handbags—Guaranty Trust Co. (50)
- 255 ctns white cotton broadcloth childrens shirts, cotton broadcloth ladies blouses, half sleeves—Haddad & Sons. (50)
- 15 cs wool sweaters—Public Nat Bank. (50-C)

- 22 bls ctn round neck shirts ½ sleeve—Orexco Ltd. (50)
 2 cs paper bags, 4 cs paper caps—Pacific Import Co. (57-G)
 6 cs glass bead handbags—Domar Bag Co. (57-E)
 10 cs paperhand bags—Domar Bag Co. (57-E)
 5 cs paperhand bags, 8 cts willow baskets—Simon Intern Corp. (57-E)
 4 cs glass bead hand bags—Magid Handbags. (57-E)
 22 bls ctn blouses, sleeveless—Nat Carloading Corp. (57-E)
 16 cs paper toyo caps—M. L. Aronson. (57-E)
 178 bls cotton ladies blouses, sleeveless—Nat Carloading Co, Judson Sheldon Div. (57-E).
 60 cs ctn blouses—Regal Accessories Inc. (57-E)
 53 cs handbags—Guaranty Trust Co. (57-E)
 4 cs ctn fabric gloves—R H Macy. (57-G)
 6 cs ctn string gloves—Reliance Intercontinental Corp. (57-E)
 30 bls ctn blouses sleeveless—Nat Carloading Co. (57-E)
 16 cs cotton t shirts—NY Mdse Co. (57-E)
 46 cs white cotton broadcloth blouses—NY Factors Inc. (57-E)
 43 cs broadcloth & gingham blouses—NY Factors Inc. (57-E)
 21 cs paper toyo caps—M L Aronson. (57-E)
 30 cs toyo cloth sports caps paper—I E Poons. (57-E)
 13 cs ctn string gloves—Reliance Intercontinental Corp. (57-E)

BEDSPREADS—JAPAN

- 51 bls—Haddad & Sons. (50)
 8 bls cotton & rayon mixed—Orexco Ltd, Montreal. (50)
 16 bls—Haddad & Sons. (23)
 35 bls—Haddad & Sons (23)
 15 cs spun rayon, rayon mixed—Safdie & Co, Montreal. (23)
 20 bls cotton and rayon mixed—A Schechter, Montreal. (23)
 6 bls, 29 cs—Haddad & Sons. (23)
 12 bls cotton & rayon mixed—Haiat Trdg Co, Montreal. (19-D)

BLANKETS—JAPAN

- 10 bls baby blankets—A Schachter, Montreal. (23)

BRACELETS—HONG KONG

- 1 ese—Conco Import Co, Montreal. (57-D)
 8 cs photo identif—North Amer Foreign

COTTONS—JAPAN

- 10 bls white shirting—Cosmo Underwear Co, Montreal. (57-E)
 3 bls white shirting—Patricia Silkwear Inc, Montreal. (57-E)
 3 bls white shirting—Midland Garment Ltd, Montreal. (57-E)
 4 cs yarn dyed satin striped handkerchief cloth—Hudson Hdck Mfg Corp. (57-E)
 11 cs pce goods—Shinko Sangyo N Y Inc. (57-E)
 102 bls pce goods—Shinko Sangyo N Y Inc. (57-E)
 7 cs hand ptd amunzen—Amity Mills Inc. (57-E)
 26 cs Indian prints—Amity Mills Inc. (57-G)
 9 cs yarn dyed cloth—Gosho Trdg Co. (50)
 103 bls grey poplin combed broadcloth—Bunge Corp. (50)
 10 cs yarn dyed cloth, 28 cs yarn dyed hdck cloth—Gosho Trdg Co. (50)
 30 bls gingham pce goods—W Gamby & Co. (50)
 5 bls gingham pce goods—W Gamby. (50)
 33 bls grey broadcloth—Gosho Trdg Co. (50)
 14 bls gingham pce goods—Concord Textile Co. (50)
 35 bls gingham hdck material—Norfolk Hdck Co. (50)
 10 bls gingham pce goods—W Gamby & Co. (50)
 5 cs bleached—Continental Linen Mfg Co, Montreal. (50)
 8 cs white broadcloth—Tabah Cousins, Montreal. (50)
 5 cs bleached—Continental Linen Mfg Co, Montreal. (50)
 25 bls piece goods in the greige—Omni Prod Corp. (50)
 135 bls pce goods—Shinko Sangyo N Y Inc. (50)
 10 bls gingham pce goods—M Lowenstein & Sons (50)
 23 bls loomstate gingham—C Itoh & Co (50)

- 15 cs pce goods—Nichimen Co (50)
 6 bls pce goods—American General Supply of Canada, Montreal. (23)
 98 cs—Haddad & Sons. (23)
 45 bls grey broadcloth—Bunge Corp. (23)
 137 bls—Haddad & Sons. (23)
 22 bls gingham—Toyomenka Inc. (23)
 6 cs goods—C Itoh & Co (America) Inc. (23)
 98 bls bleached cloth—Continental Linen Mfg Co, Montreal. (23)
 11 bls grey shirting—Crown Textile Agency, Montreal. (23)
 11 bls grey shirting—Transcontinental Sales, Montreal. (23)
 26 bls gingham—Toyomenka Inc. (23)
 3 cs, 22 bls—Haddad & Sons. (23)
 19 bls loomstate gingham—C Itoh & Co (America) Inc. (23)
 29 cs checked woven hdkf cloth—C Itoh & Co (America) Inc. (23)
 7 bls checked gingham—Nichimen Co. (23)
 6 cs fancy loop gingham—Nichimen Co. (23)
 200 bls—Haddad & Sons. (23)
 127 bls gingham—Toyomenka Inc. (23)
 78 bls checked gingham, 24 bls fancy dobby chambray—C Itoh. (23)
 18 cs yarn dyed cloth—Gosho Trdg Co. (23)
 7 bls checked gingham—Nichimen Co. (23)
 173 bls pce goods—Shinko Sangyo NY Inc. (23)
 11 cs gingham—Shinko Sangyo NY (23)
 2 bls gray pce goods—Toyobo NY Inc. (23)
 10 cs gingham—Shinko Sangyo NY. (23)
 7 bls white shirtings—Dorsay Lingerie Ltd., Montreal (23)
 26 bls combed gingham—Judson Sheldon. (23)
 66 bls—S Handal & Sons. (19-D)
 5 bls gingham—Judson Sheldon Div. (19-D)
 79 bls ptd shirting, 10 bls combed gingham—Judson Sheldon Div. (19-D)
 7 bls combed gingham, 4 bls gingham—Judson Sheldon Div. (19-D)
 3 cs poplin—Industrial Textiles, Toronto. (1)
 10 bls white shirting—Lov-lec Mode Inc, Montreal. (1)
 10 bls white shirting—Frenchmaid Linger Co, Montreal. (1)
 14 bls white cotton—Wearbest Sheet & Pillowcase Mfg. Co., Montreal. (1)
 6 bls white cotton—The Viola Knit Mills, Montreal. (1)
 11 bls grey sheetings—American General Supply of Canada, Montreal. (1)
 5 bls white shirting—Standard Distr, Montreal. (1)
 6 cs Indian prints—Amity Mills Inc. (1-B)
 160 bls pce goods—Shinko Sangyo NY Inc. (1)

HANDKERCHIEFS—JAPAN

- 8 bls rayon yarn dyed, 17 bls rayon & spun rayon hdkfs—A. Schachter, Mont.
 (57-E)
 5 cs rayon dyed woven fujiette, 5 cs spun rayon—Nichimen Co, Houston. (50-H)
 1 cse linen & ctn embr—A D Sutton. (19-B)
 1 cse ramie—Hygrade Import Corp. (1-B)
 12 cs ramie—Haddad & Sons. (1-B)
 10 bls hdkfs—M I Greisman, Toronto. (19-D)

PILLOW CASES—JAPAN

- 200 bls cotton white—Nichimen Co. (57-E)
 75 cs ctn—Haddad & Sons (50)
 50 bls ctn—Salim & Dweck (50)
 100 bls—V B Handal & Bros (50)
 46 bls cotton white—Mitsubishi Intern Corp. (23)
 204 ctns cotton—Haddad & Sons (23)
 35 bls cotton—V B Handal & Bros. (23)
 30 bls cotton—European Linen Import Co, Toronto. (23)
 20 ctns fancy—Haddad & Sons. (23)
 120 ctns cotton—Haddad & Sons. (23)
 16 cs cotton—Auer General Supply of Canada, Montreal. (19-D)

PLASTIC BRAIDS—JAPAN

- 40 cs—E C Shatilla & Sons, Montreal. (1-B)

POPLINS—JAPAN

- 2 bls gray—Nichiman Co. (23)
48 bls gray—Nichiman Co. (23)

SCARFS—JAPAN

- 13 ctns—Reliance Intercontinental Corp (19-G)

SHIRTING—JAPAN

- 33 bls white cotton bleached—Fantasy Lingerie Ltd, Toronto. (23)

TABLECLOTHS—JAPAN

- 30 cs ctn & rayon—Canadian Curtain & Fancy Linen Corp (57-E)
26 cs ctn & rayon dobby cloth sets—Overseas Textiles Ltd (57-E)
7 cs ctn & rayon damask sets—A S Herrmann, Montreal (57-E)
3 cs ctn table centers—Bushman Bros (57-G)
1 bale ctn and spun rayon mixed dobby—NY Mdse Co. (50-F)
67 cs damask—Kanematsu NY Inc. (50)
35 cs damask—Mamiye Bros. (50)
37 bls ctn and rayon satin stripe dobby—Mamiye Bros. (50)
62 cs—G E Bardwil. (50)
11 cs ctn and rayon damask—C Itoh & Co. (50)
10 bls spun rayon dobby—Saffie & Co, Montreal. (23)
5 cs cotton & rayon mixed sets—The Overseas Textiles Ltd., Montreal. (23)
5 cs cotton & rayon damask—C Itoh & Co. (23)
31 ctns ptd cotton—Haddad & Sons. (23)
8 cs ctn & rayon damask—M Hidary. (23)
7 cs damask—Kanematsu NY Inc. (23)

TAPESTRIES—MADEIRA

- 1 cse—J Dritz & Sons. (31-A)

TAPESTRY—BELGIUM

- 1 bale cotton jacquard—R H Macy. (6-B)

TEXTILES—JAPAN

- 3 cs dlies (120,000 pcs)—Ideal Shirt Co. (23-B)
5 cs—Nichimen Co. (23)
10 ctns—Betsy Ross Needlework Inc. (23)
59 bls—Bunge Corp. (23)
19 cs—Nichimen Co. (23)
13 bls quilted—Products Ltd, Montreal. (23)
12 bls—Nichimen Co. (23)
17 bls, 8 cs—Nichimen Co. (23)
7 bls—Nichimen Co. (23)

TOWELS—JAPAN

- 20 bls ctn terry—A Schachter, Montreal (57-E)
6 bls cotton jacquard—Haiat Trdg Co, Montreal. (19-D)

TOYO CLOTH—JAPAN

- 8 cs—A D Cohen (57-F)
4 cs—Smolowitz & Benkel. (50)
5 cs—Lazerson Bros. (50)
10 cs—H N Flaum. (50)
4 cs—L & L Trdg Co. (50)
7 cs—Citron & Slatin (1-J)

TOYO PAPER CLOTH—JAPAN

- 20 cs—Citron & Slatin. (50)
9 cs—Haar Trdg Co. (23)
10 cs—H N Flaum. (19-D)
4 cs—Emmet I Poons (1)

VELVETEENS—JAPAN

12 cs cotton dyed—Concord Textile Co. (50)
 13 cs cotton dyed—Luber Textile Inc, Montreal. (50)
 4 cs dyed cotton—Wasserstein Bros. (23)

Senator BENNETT (now presiding). Thank you, Mr. Bell.

When must you leave to catch your plane?

Mr. BELL. Well, I have about 15 minutes.

Senator BENNETT. Thank you.

Senator MILLIKIN, any questions?

Senator MILLIKIN. No, sir.

Senator BENNETT. Senator Martin?

Senator MARTIN. No, sir. He has got to get away.

Senator MALONE. I think very little questioning is necessary from this witness.

All you are asking for is a fair and competitive basis to compete in your own market, isn't that about it?

Mr. BELL. Our industry is probably the most competitive in the Nation, Senator. And we have never asked for anything except a fair basis.

Senator MALONE. In other words, you never complain about domestic competition, no matter how tough it gets?

Mr. BELL. No, we are all under the same rules, sir.

Senator MALONE. That is right. You pay the same wages and taxes and have the same cost of doing business—

Mr. BELL. The wages vary, but we are under the same Federal statutes.

Senator MALONE. You are operating under the same rules?

Mr. BELL. Yes.

Senator MALONE. All you ask for is a fair and reasonable basis of competition with foreign industry, just as it looked like you were going to have in the 1936 act under section 336.

I did want to ask you, what are the Japanese wages? You must have read it, but I missed it.

Mr. BELL. Between 13 and 14 cents an hour.

Senator MALONE. As against \$1.25 in your business?

Mr. BELL. Averaging \$1.25. Those are approximate figures.

Senator MALONE. I think you mentioned one very important factor or two. We sort of take it for granted that when anything is imported here that it has some kind of a trade-mark on it, and you can always identify it. But as a matter of fact you have brought it out here that even in your goods, your goods lose their identity when they come here as gray goods and then are worked into fabrics and put into the trade, whether you export them or whether you utilize them in America.

Mr. BELL. That is on the fabrics that come here. Of course, the parts, the garments, and the made-up sheets and pillowcases, all are required to have Japanese labels on them.

Senator MALONE. Yes, but if they come in as gray goods, that could be a considerable amount of goods, couldn't it?

Mr. BELL. Yes. I point out, gray goods, plain cloth, have 83 threads to the inch in the warp, and 80 threads to the inch in the fill, 39 inches wide, and weighs 4 yards to the pound, which is the 80 square construction that I referred to. It is just like sugar bought by a refinery, they can buy American goods, or they can buy Japanese goods, but after

they have finished with them, those goods become American goods to all intents and purposes.

Senator MALONE. It would be just like minerals going into a machine.

Mr. BELL. That is right. And that is the reason the small volume can have such a terrific effect on the prices in the market.

Senator MALONE. There is another point that you made very clear which I think generally is misunderstood.

Let us say that we import 1 percent—we have had evidence to that effect here—isn't it possible for 1 or or 2 percent to break a market?

Mr. BELL. That is just what I said, that small quantities of these goods can infiltrate the market—they would have different effects on different occasions, but conceivably they could narrow the market down so that the prices on a large volume of goods would not be profitable, that is correct.

Senator MALONE. And regardless of how small an amount comes in, if it had that impact on the market, then it is putting a local mill under the gun and very likely out of business if it is kept up indefinitely.

Mr. BELL. The potentialities are difficult to face.

Senator MALONE. Then I was interested in what you said, that you have already practically abandoned the low-price field.

Mr. BELL. That is in certain areas.

Senator MALONE. Certain areas, yes.

Mr. BELL. And you might remember also that these various areas are not included in the figures that are usually quoted as countable cotton cloth, because they come under entirely different paragraphs in the Cotton Act.

Let's say velveteens, for example, are an important product in this country, and they are important imports, and they are not included in the figures that are given on the countable cloths. Neither, of course, are any of the apparel or manufactured goods, or even certain categories that come in just for waterproof skirts.

Senator MALONE. You understand that if we do not extend this act that these trick organizations scattered around the world—the United Nations just organized another world organization the other day—and GATT, the General Agreements on the Tariffs and Trade and the International Materials Conference created by the State Department; and I see another one here was organized, which may be GATT under another name. The Washington Post on page 4 today describes this new world organization to carry out our foreign economic program.

But if we do not extend this act, all these trick organizations fall on their face, and we go back to the 1930 Tariff Act, and any products that are not now currently under a trade-agreements program, you understand, revert to the Tariff Commission after June 12.

Mr. BELL. Well, your trade agreements, I understand, would continue, would they not?

Senator MALONE. They would continue. I was coming to that next. They would continue until such time as the President of the United States might serve notice on the countries with which such agreements were made, and then they would revert within a specified time.

Mr. BELL. Yes.

Senator MALONE. Then this would be the first move to revert to the principle that you are apparently supporting, and that is a basis of fair and reasonable competition where you would have equal access to your own market as against foreign products?

Mr. BELL. We believe the original theory of the Reciprocal Trade Agreements Act has been distorted considerably in recent years so that it is now—and most of the recent measures seem to have the whole idea of expanding markets in this country for producers abroad and not the basic—

Senator MALONE. I agree with you that the American public was misled on it. But I do not agree with you that it was not intended in the beginning by the people who first foisted it on the American public. There is no question but what you are right at the present time because only a few days ago Secretary Dulles testified to the fact that naturally it was going to do injury to certain industries here but if you will try to prevent injury in every case that the act—his own language—the act becomes automatically unworkable.

So there is no question then, about what the objective is now, and it becomes academic as to what it was in the beginning. So if it is allowed to expire, you are on the way back to your principle that you have advocated and that is a fair and reasonable competitive basis for your own product, isn't that true?

Mr. BELL. Yes.

Senator MALONE. That's all.

Senator MILLIKIN. Assuming the Trade Agreements Act is extended, if the principle of no injury to American industry is retained, that meets with your objective, doesn't it?

Mr. BELL. It depends on who determines it.

Senator MILLIKIN. If you did not have the principle in the Reciprocal Trade Act you would have to go back to some other principle?

Mr. BELL. We have become somewhat sour on the Reciprocal Trade principle.

Senator MILLIKIN. I am not doubting that.

Mr. BELL. I don't know as far as this country's domestic interests are concerned, I think it would be just as well to let it die.

Senator MILLIKIN. I am asking you whether if the no-injury test were applied in good faith whether that would meet your objectives?

Mr. BELL. It would be a great deal better than what we have.

Senator MILLIKIN. If the principle is properly applied, it means you have fair and reasonable competition.

Mr. BELL. That is right.

Senator MILLIKIN. It keeps an article from coming in here without restriction if it has a very low cost quotient which may endanger our labor standards, because if you let that come in, it will injure you and if you administer the act so there is no injury, that answers that question, does it not?

Mr. BELL. Yes, sir.

Senator MILLIKIN. Thank you very much.

Senator BENNETT. Thank you very much.

Senator MALONE. I would like to ask one more question, Mr. Chairman.

The way the act is written and the way that it has always been written there is a continual threat to business in that at any time the Executive can, through the State Department, make an agreement

with another nation that further lowers the tariff and protection. The way it is written now in the escape clause, you must show serious injury in order to escape and the record is that almost nobody escapes.

Once or twice that has happened but generally speaking there is no escape anyhow. But in any case you must show serious injury. I ask you as a businessman, how long can businesses last with that continuing threat over their heads of undergoing a further reduction of the tariffs without due warning if this GATT at Geneva, and other organizations that are being organized to handle trade throughout the world keep up? And is it not generally true that it takes a year or two, or maybe longer, for a serious injury and when you have had the serious injury you are just about finished.

In other words your confidence at the banks and the loaning agency is gone. How long can a business exist with that thing hanging over its heads?

Mr. BELL. In other words you recognize the fact that the escape clause is a remedial and is not a preventive type of legislation?

Senator MALONE. Of course it is.

Mr. BELL. It is remedial. When you get to the point where you have a good enough case to invoke an escape clause you are pretty near on the road to death.

Senator MILLIKIN. Mr. Chairman—

Senator BENNETT. Senator Millikin.

Senator MILLIKIN. No matter what your system may be it has tests in it and it takes time to develop those tests. There are tests under the act of 1930, you would have the same delay in hearings; the same length of time to determine facts. You are jittery until you get the answer and you continue jittery if you don't get the right answer, but there is no magic way of escaping the time lost in reaching determinations, so the question is not saving time. You lose time any route you go, but if you have the injury test or a fair and equal competition test, or you have fair and equal labor standards test, somebody has to decide them.

Somebody has to decide them and they may decide them wrong. The President under the 1930 act has the final determination as to whether the facts or factors in that act are properly determined by the Tariff Commission.

There is an enormous amount of difference of opinion when it comes to the question of what are the foreign costs. You have all the questions of subsidies. You have all the questions of State intervention. I don't believe that any two minds could agree precisely on the exact rules. So I am merely suggesting to you that no matter what the test, you have human elements that have to determine it.

They may determine it right or wrong or be half right or half wrong.

Whatever they determine there would be points of difference about it and it would take time.

In my judgment, I want to suggest that you will have an extension of the reciprocal trade agreement. There may be some alterations in it. But you will have an extension. From my viewpoint I think those who hope to do away with the system entirely will be severely disappointed.

Senator MALONE. Can I ask one more question?

Senator BENNETT. I am watching the clock. He has a plane to catch and he is $2\frac{1}{2}$ minutes past his deadline.

Senator MALONE. I want to ask one more question. I think it is important.

Senator BENNETT. All right.

Senator MALONE. There was one principle set down by Congress in the 1930 Tariff Act and that is determining the difference in cost on the basis of fair and reasonable competition.

Naturally there is some difficulty in determining that difference but we have the landed declared customs cost.

We have the offered for sale price. But in this new act, 1934, where we changed the complete system by including international political factors and by measuring various industries in this country where any factor can be considered. Which would you consider as fairest to industry, the 1930 principle of fair and reasonable competition or the 1934 principle where any factor can be and is considered, as Mr. Dulles explained.

Mr. BELL. I think of the two, the industry could work better under the 1930 act, but you have to remember that even the increases that were made by President Roosevelt in the tariff rates on these imported commodities at that time—on some bleach goods and colored goods—did not stop the importation and it was not until the war came on that that problem was solved for the industry because the goods continued to come in here over the increased rates and I doubt if they could ever write a tariff that would really be high enough to compensate for the wide discrepancies between our American costs and the Japanese costs.

Senator BENNETT. Thank you very much.

Mr. Bell, we appreciate your coming. We hope your plane is 5 minutes late.

Mr. BELL. Thank you very much.

Senator BENNETT. Is Mr. Howard Richmond in the room?

Mr. RICHMOND. I am.

Senator MARTIN. Mr. Chairman, I wonder if I may have a matter inserted in the record?

Senator BENNETT. Yes.

Senator MARTIN. Mr. Chairman, you will recall the other day when when we had Hon. Thomas Kennedy, vice president of the United Mine Workers of the United States and a former lieutenant governor of Pennsylvania, we asked him the question if he could furnish us the cost of coal in Great Britain and cost in the eastern States of the United States.

Mr. Kennedy has sent me a letter and attached to it is this information and I would like for it to be inserted along with Mr. Kennedy's testimony.

Senator BENNETT. Without objection, it will be inserted in the record at the end of Mr. Kennedy's statement.

Senator MARTIN. Mr. Chairman, Hon. David Williams of Pennsylvania, who now is a representative of Pennsylvania Employers Wage Earners Job Protection Association who is a former outstanding labor leader of Pennsylvania, has submitted to me—and I am not sure whether this will be a duplication or not, because what I wanted to get was the apparel imported from Japan because we discussed that quite at length this morning.

If that is already inserted—

Senator BENNETT. I have here the complete copy of the Import Bulletin which was inserted by Mr. Bell. I think I can identify quickly—

Senator MARTIN. This is the Japanese end of it. I don't want us to duplicate it but I think it is important to have it in because we discussed that at quite some length this morning.

Senator BENNETT. The material has already been inserted.

Senator MARTIN. That is all right, then.

Senator BENNETT. Material in addition to that has already been inserted.

Are there any other questions, before Mr. Richmond proceeds?

All right, Mr. Richmond, you may proceed.

STATEMENT OF HOWARD RICHMOND, CHAIRMAN TARIFF COMMITTEE OF THE VELVETEEN INDUSTRY

Mr. RICHMOND. I appreciate very much the opportunity of appearing before this committee today.

My name is Howard Richmond. I am appearing here today in behalf of the American velveteen industry. I am vice president of Crompton Co. with four wholly owned manufacturing subsidiaries in the States of Georgia, Virginia, and Arkansas. Crompton Highland Mills in Griffin, Ga., employs a substantial number of skilled workers engaged in weaving velveteens while Crompton Shenandoah Co. in Waynesboro, Va., employs a significant number of highly skilled workers engaged in processing, dyeing, and finishing of velveteens for our company.

After considerable study based on practical experience, we are proposing a new, fresh, constructive approach to an exceedingly controversial subject. But first a brief description of our industry, the problems it is facing, and the injury it is suffering as a result of foreign competition brought about by the reciprocal trade agreements program.

The velveteen industry is a small, highly specialized segment of the cotton textile industry. Merrimack Manufacturing Co., A. D. Juilliard & Co., Inc., and Crompton Co., all engaged in the manufacture of velveteens continuously since before the turn of the century, today account for practically all the domestic velveteen industry except for some gray goods purchased from other cotton mills. There are 6 individual mills located in 6 States, in the South and the North, involved in the industry employing about 1,000 highly skilled workers, averaging about \$1.40 per hour, with an annual payroll approaching \$3 million, and consuming about 6,300 bales of American high-grade long-staple cotton annually.

Velveteens are unique in the cotton textile industry because more labor is required than in any other textile we know of. Because of the exceedingly high-pick constructions, the weaving rate is very slow. The cutting, dyeing, and finishing are extremely slow and tedious requiring a large amount of highly skilled labor and much specialized equipment. As a result, the capital invested by the industry is large in proportion to its capacity.

For tariff purposes velveteens are divided into plainbacks and twillbacks, both of which are covered by paragraph 909 of the Tariff

Act of 1930. Both types are made on the same equipment and employ the same skills. Twillbacks are the more expensive types used in all kinds of children's, girls', and women's ready-to-wear where fastness of pile is of prime importance for durability. Plainbacks are the cheaper constructions used primarily for box linings, display purposes, and trimmings on apparel where fastness of pile is not important.

The duty on plainbacks has been reduced 50 percent since 1930. The duty on twillbacks has been reduced 64 percent since 1930. Furthermore, during the years 1951 through 1954 when the 12½ percent ad valorem rate on waterproof cloth under paragraph 907 applied to all velveteens, the reduction amounted to 80 percent.

Senator MILLIKIN. Where did your competition come from?

Mr. RICHMOND. From Italy and Japan.

Senator MILLIKIN. Which provides the bulk?

Mr. RICHMOND. Today, Japanese is about 60 to 70 percent of the Italian competition, but they are driving the Italians right out of this market because of their lower costs.

As a result of these reductions, our industry has been severely injured. Since 1949, imports have increased from 2 million to 5 million yards in 1954, an increase of 250 percent. Domestic production has dropped from 7½ million in 1951 to 5½ million yards in 1954, a decrease of 27 percent. Since 1949 the industry has had a progressively smaller share of the American market with about 50 percent now in the hands of the Japanese and to a lesser extent the Italians.

Senator BENNETT. The 50 percent includes both the Italian—Japanese yardage?

Mr. RICHMOND. Yes, sir. American producers have been forced to discontinue entirely the production of low grade plainback velveteens because of low-price Japanese competition. American selling prices have been forced downward by an average of 22½ percent in the last 3 years. But today the Japanese are still underselling us by 25 percent. Employment has declined 37 percent in the last 3 years. There is much specialized equipment idle. Those are the hard, cold facts that are well known to the Tariff Commission and the Committee for Reciprocity Information.

What have we done about it?

Under the present law and the proposed H. R. 1, what can we do about it?

At every opportunity before every tariff reduction, we appeared before the proper governmental authority and pleaded against reductions because of our inability to compete with European and to a much larger extent Japanese competition. Our warnings were not heeded. Velveteens are on the list of items to be negotiated in the current trade agreements with Japan. In December 1954 we had our first opportunity to appear before the Tariff Commission under the peril-point provision of the law. We have requested a finding of injury requiring a modest increase in rates affecting the lower valuations only. We have urged the Committee for Reciprocity Information to recommend to the President such an increase in rates because of injury that already exists. If granted, such an increase would not prove restrictive to our foreign trade because the Japanese would still be able to undersell us by about 15 percent while the rates on European imports would not be affected. We have strug-

gled for 3 years to get clarifying legislation or an administrative ruling so that velveteen imports would pay the proper rate of duty under paragraph 909 rather than being permitted to come in under the guise of waterproof cloth at a lower rate of duty. Here we were successful. The Treasury Department has issued T. D. 53630 dated October 12, 1954, effective January 14, 1955, which is expected will overcome this injustice. Our attorneys are right now preparing our case for an escape-clause application.

There is nothing written or implied in the Trade Agreements Act of 1934, as amended, and extended that prohibits increasing tariff rates in trade-agreement negotiations. In fact just the contrary is expressly provided by limiting the President's power to increase rates no more than 50 percent over those in effect January 1, 1945. Furthermore, the peril-point provision requires a finding by the Tariff Commission of a higher rate if injury already exists. Yet it is improbable that the practical workings of the peril-point provision can aid us now. The escape clause provides the mechanics for relief but the chances of relief under the practical application of this so-called safeguard are remote to say the least.

This is a very brief description of our industry, the predicament it finds itself in and the efforts we have made to get relief. We are a small industry. We have been forced to go to great expense of time and money over the years to try to save ourselves. We have tried always to understand the law and its administration, to stay within our rights, to ask for no special favors, and above all, to be cooperative and constructive wherever we had the opportunity. We can't continue to exist under the present conditions. Yet we are frustrated. We see no relief in sight under the present law or under H. R. 1.

I request permission to submit for the record copies of our briefs to the Tariff Commission and Committee for Reciprocity Information dated December 3, 1954, copies of our oral testimonies to these two authorities of December 21, 1954, and copy of letter dated February 8, 1955, from Edgar B. Brossard, Chairman, United States Tariff Commission to the Honorable Burr F. Harrison of Virginia with respect to our predicament. These will very fully give you substantiating data.

Senator BENNETT. Mr. Richmond, were those documents submitted to the House?

Mr. RICHMOND. No, sir.

Senator BENNETT. We will be very happy to accept them for the record here unless there is objection.

(The document referred to is as follows:)

BRIEF FOR UNITED STATES TARIFF COMMISSION FROM DOMESTIC VELVETEEN
MANUFACTURERS

DECEMBER 3, 1954.

SECRETARY,

*United States Tariff Commission,
Washington 25, D. C.*

DEAR SIR: The Interdepartmental Committee on Trade Agreements has issued formal notice of the intention of the United States Government to participate in reciprocal tariff negotiations involving Japan in a conference to be convened next February in Geneva. In the President's list of articles imported into the United States, proposed for consideration in trade-agreement negotiations with Japan and other countries, there is:

"SCHEDULE 9. COTTON MANUFACTURES

"Par. 909: Pile fabrics (not including pile ribbons), cut or uncut, whether or not the pile covers the entire surface, wholly or in chief value of cotton, if velveteens."

Pursuant to section 3 of the Trade Agreements Extension Act of 1951, as amended, and under the authority of section 332 of the Tariff Act of 1930, the United States Tariff Commission has instituted an investigation with respect to the articles included in the President's list.

The Commission is directed to report to the President "the findings of the Commission with respect to each such article as to (1) the limit to which such modification, etc. * * * 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."

This brief in behalf of the domestic velveteen industry intends to show that serious injury brought about by foreign imports already exists in the velveteen industry and that a moderate increase in duty applicable only to the lower valuations of velveteen imports is necessary to avoid still further serious injury to the industry.

BACKGROUND OF VELVETEEN INDUSTRY

The individual members of the velveteen industry are listed herewith and represented by this brief:

Crompton Co., West Warwick, R. I.
 Crompton Richmond Co., Inc., New York, N. Y.
 Crompton Shenandoah Co., Inc., Waynesboro, Va.
 Crompton Highland Mills, Inc., Griffin, Ga.
 Arkansas Cotton Mills, Inc., Morrilton, Ark.
 Deering Milliken & Co., Inc., New York, N. Y.
 Drayton Mills, Spartanburg, S. C.
 A. D. Juilliard & Co., Inc., New York, N. Y.
 New York Mills Division, New York Mills, N. Y.
 Brookford Mills Division, Brookford, N. C.
 Aragon Mills Division, Aragon, Ga.
 Merrimack Manufacturing Co., Inc., New York, N. Y.
 Mills, Lowell, Mass.

Attached hereto are three tabulations which tell the history of domestic production and sales of velveteens for the years 1928 through the first 9 months of 1954. Appendix 1a shows the production and sales of twillback velveteens. Appendix 1b shows the production and sales of plainback velveteens. Appendix 1c shows the total of both twillback and plainback velveteens, production, and sales.

Both twillback and plainback velveteens are all cotton filling pile fabrics and are classified under paragraph 909, schedule 9, of the Tariff Act of 1930. They are both made on exactly the same equipment and employ the same skills. The only difference is in the weaving construction, type of yarns used, and grade and staple of cotton employed. Twillbacks are the more expensive types used in all kinds of children's, girls', and women's ready-to-wear, where fastness of pile is of prime importance for durability. Plainbacks are the cheaper constructions used primarily for industrial purposes and for trimmings where fastness of pile is not important.

The manufacture of velveteens is unique in the cotton-textile industry because more labor is required than in any other textiles we know. Velveteens are all very high pick constructions, with twillbacks averaging over 300 picks per inch compared with 40 to 80 picks per inch for the average cotton fabrics. The resultant weaving rate is very slow. The cutting of velveteens to form the pile is extremely slow and tedious requiring great skill on the part of the operator at a very slow rate of production. After cutting, then begins a long series of individual operations required to impart the necessary color, finish, hand and bloom to the fabric. All these require a large amount of additional labor. We estimate it takes 4 months to manufacture velveteens from opening the bale of cotton to delivery of the finished goods. As a result, the capital invested by the industry is exceedingly large to cover plant, equipment, and inventories.

At present the industry employs about 949 men and women in the manufacture of velveteen, of whom approximately 51 percent are skilled, 32 percent semiskilled,

and 17 percent unskilled. This compared with 23 percent skilled, 56 percent semiskilled, and 21 percent unskilled in the cotton-textile industry as a whole.

For 1954 our payroll will amount to approximately \$2,600,000, the average hourly rate per employee being \$1.3842 as compared with \$1.30 for the cotton-textile industry as a whole.

The industry is consuming cottons at the annual rate of 6,300 bales for which we are paying the cotton farmers over \$1,250,000. As of June 30, 1954, we were operating 1,190 looms, an average of 91 hours per week.

TARIFF AND IMPORT HISTORY

Below we are showing tariff rates on velveteens, under paragraph 909 in effect in 1930 and all subsequent reductions. Also is shown rates in effect on waterproof cloth wholly or in chief value of cotton under paragraph 907. The rates in effect on January 1, 1945, are shown.

	Paragraph 909: Velveteens, plain back	Twill back		Paragraph 907: Waterproof cloth wholly or in chief value of cotton
		Less than 65 cents	Over 65 cents value	
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1930.....	62½	62½	62½	40
1933.....	¹ 31½	1 44	1 44	2 30
1939.....	31½	44	³ 37½	2 25
1948.....	31½	25 cents not less than 25 percent or more than 44 percent. ⁴		⁴ 12½
1951.....	31½	25 cents not less than 22½ percent or more than 44 percent. ⁵		12½
Jan. 1, 1945.....	31½	44	37½	25

¹ Treasury decision under par. 336, July 24, 1933.

² Trade agreement with Belgium, 1935.

³ Trade agreement with United Kingdom, 1939.

⁴ Trade agreement at Geneva, 1948.

⁵ Trade agreement at Torquay, 1951.

Attached hereto as appendix 2 is shown the imports of velveteens from 1928 through the first 9 months of 1954.

Prior to 1933 importations were primarily from Germany and United Kingdom, mostly the more expensive twillbacks. As a result of an investigation by the Tariff Commission the rates were reduced in 1933 under section 336 as shown above. This survey on cost of manufacture took into consideration the chief competing countries, Germany and United Kingdom. However, the reduction did not benefit these countries. Imports of velveteens from these two countries were never a factor after 1933. The Japanese took advantage of these reductions and almost immediately captured the American import market concentrating mostly on the cheaper plainbacks. Japanese imports reached a fantastic peak of over 5 million square yards in 1936, in a period of only 3 years.

The American manufacturers in 1936 tried unsuccessfully to have the rates restored to the 1930 level under section 336 of the Tariff Act. In desperation and with the Government's knowledge, they entered into an agreement with the Japanese exporters in 1937 in an attempt to limit the quantity of imports. This agreement was not lived up to and later became academic because of objections by the Justice Department. During this time and until World War II, imports from Japan continued to enter the country in very large quantities. They were mostly plainbacks at very low prices against which the domestic producers could not hope to compete.

From 1933 to 1939 imports of twillbacks were small, both relatively and actually. Over the industry's objection, the rate on twillback velveteens valued at over 65 cents per square yard was reduced from 44 percent to 37½ percent in the trade agreement with United Kingdom in 1939. On the surface this looked like a harmless reduction. Because there was only a short time before World War II, this reduction could not benefit the European producers, and the Japanese were not making twillbacks of suitable quality to be accepted in this market. Of course, all importations of velveteens practically stopped during the war. But the stage was now set for further reductions negotiated at Geneva in 1948 that completely upset the domestic industry and the American market. The industry pleaded that no reductions be made at Geneva until we could see what effect the

reduction of 1939 would have with the world textile industry only then recovering from the ravages of war. Nevertheless, the negotiators at Geneva agreed to the following change:

The rate on twillback velveteens was reduced to 25 cents per square yard but not less than 25 percent or more than 44 percent ad valorem. Here was an apparent attempt to hold the higher rate of 44 percent in the very low valuations but make a further reduction on the higher valuations. Actually this left the 44 percent ad valorem only up to 55 cents. From 55 cents to \$1 in value, the rate dropped to 25 percent which applied on all higher values. At that time twillback velveteens were being offered at about \$0.90 in Japan and about \$1.40 in Italy. Therefore, the protection was reduced to 27.7 percent on \$0.90 Japanese twillbacks and to 25 percent on \$1.40 Italian twillbacks. This permitted Italian twills to be brought in at prices that could compete with domestic twills. Japanese twills could drastically undersell domestic and Italian twills in the American market but because their quality was not suitable, the Japanese twills did not come in in great volume until a few years later when improvement had been made in quality.

Again in 1951, the negotiators at Torquay, in spite of all the cooperation the industry gave the Committee on Reciprocity Information, agreed on the following change: The rate on twillback velveteens was reduced to 25 cents per square yard but not less than 22½ percent or more than 44 percent ad valorem. The negotiations took place with Itay and affected valuations of \$1.20 per yard and higher with a reduction of 2½ percent which was not too drastic.

At both Geneva in 1948 and Torquay in 1951, plainback velveteens were not on the list of those items to be negotiated. This was probably because very large imports of plainbacks from Japan had come in just before the war and were then increasing in volume at the rate in effect of 31¼ percent.

Undoubtedly the Government felt that the velveteen industry had been fairly treated in the reductions made in 1933, 1939, 1948, and 1951.

But then the unexpected happened.

At Geneva in 1948, the rate on waterproof cloth, wholly or in chief value of cotton, under paragraph 907 was reduced to 12½ percent. Originally in 1930 this rate was 40 percent. It was reduced to 30 percent in 1935, to 25 percent in 1939 and then cut in half to 12½ percent in 1948. Prior to 1948, there were only relatively small quantities of waterproof cotton fabrics brought in under paragraph 907, and these were mostly specially treated fabrics made in United Kingdom for raincoats. Treasury Decision No. 47792 in 1935, based on a decision of the United States Customs Court in the case of *C. A. Auffmordt & Co. v. The United States*, ruled that water repellent fabrics are considered waterproof fabrics for tariff purposes. Practically all cotton fabrics, including velveteens, can be made water repellent, at very small added cost, permitting these to pass the so-called cup test used since 1935 in determining whether a cloth is waterproof for tariff purposes. There was no incentive for an importer to spend the extra cent or two in having cotton fabrics made water repellent, unless of course the end use made it necessary, until the rate was cut in half to 12½ percent in 1948. This made a saving in duty of 18¾ percent on plainbacks and at least 10 percent after 1951 in twillbacks. Beginning in 1951, velveteens, both twills and plains started coming in under paragraph 907 at 12½ percent. By 1953, practically all velveteens were so classed. On appendix 2, imports under paragraph 907 from Italy and Japan are shown. We have reason to believe that practically all these were velveteens but the import statistics do not differentiate types of fabrics under this class. Below we show a summary of imports under paragraphs 909 and 907 (Italy and Japan only) for years 1951 through first 9 months of 1954:

	Paragraph 909: Velveteen	Paragraph 907: Waterproof cloth, Italy and Japan only	Total velveteen imports
1951.....	2,644,387	32,626	2,677,013
1952.....	1,481,922	246,111	1,728,033
1953.....	549,109	2,182,895	2,732,004
1st 9 months 1954.....	112,756	3,285,899	3,398,655

As a result of these reductions in duty, Italian twillback velveteens have been able to undersell the domestic competition items by 15 to 20 percent. The Japanese made great strides in improvement in quality and imports increased rapidly, being able to undersell the domestic competition items by 30 percent. In the first 9 months of 1954 Japanese imports of velveteen exceeded the Italian imports by almost 100 percent. For the first 9 months of 1954, foreign imports of velveteen almost equaled the domestic production. Total imports for 1954 will approach 5 million yards.

This alarming turn of events in a short 3-year period created chaotic market conditions with resultant lowered prices and shrunken profit margins. The domestic producers were forced to give up entirely the manufacture of low-grade plainback velveteens for industrial purposes, being forced to give up this market entirely to Japanese imports selling at prices more than 20 percent below cost.

The domestic industry worked for over 2 years to get clarifying legislation passed by the Congress so that imports of velveteens and other cotton textiles would pay the regular rate of duty unless actually made waterproof rather than merely water repellent. This was not possible. However, the Treasury Department has issued T. D. 53630, dated October 12, 1954, effective January 14, 1955, ruling that cloths which are not generally used in articles designed to afford protection against water to the extent expected in raincoats, etc., even when such cloths possess water-repelling characteristics, are not classifiable as waterproof cloth within the meaning of paragraph 907, Tariff Act of 1930. It is hoped and expected that the administration of this Treasury decision will correct an unforeseen inequity brought about by the reduction of duty with paragraph 907.

There is a tremendous amount of velveteens clearing customs right now to beat the January 14 deadline. This, of course, was to be expected but will permit the importers to take advantage of the low rates in pricing their velveteens for the better part of 1955.

INJURY TO VELVETEEN INDUSTRY

It can be seen that all the reductions in rates that have been made on either plain or twillback velveteens under paragraph 909 were made either before Japanese velveteens were a factor or, after the Japanese were a factor, the reductions were made on the higher valuation of twillback only, thus presumably aiding the Japanese as little as possible. The results of the reduction in rates of waterproof cloth under paragraph 907 were unexpected. The result of all these reductions, however, have in fact aided the Japanese in taking over the biggest part of the imports of velveteen. We predict in another year or two Japan will control at least 90 percent of the imports of velveteens into this market. With such a large amount of labor required in manufacture, the country with the lowest labor cost has a far greater advantage in total costs than in other textiles. Japan has the productive capacity, improved quality now comparable and competitive, and by far the lowest cost in the world. The Italians cannot compete with them in this market. Therefore, the domestic industry directs your attention to the injury it has already suffered from Japanese imports of velveteens and the far more serious injury threatened from Japanese imports even at tariff rates now in effect under paragraph 909 that should apply after January 14, 1955.

Below we are showing the average selling prices on terms of 7 percent 10 days of domestic and imported velveteens during the past 3 years.

Better grade twillback velveteens

	Domestic	Italian	Japanese
1951.....	\$2.25-2.40	\$2.25-2.50	.....
1952.....	2.25-2.40	2.25-2.50	.....
1953.....	2.00-2.27½	2.00-2.25	.....
1954.....	1.75-1.97½	1.60-1.85	\$1.27½-1.45

Low grade plainback velveteen

	Domestic	Japanese
1951-----	\$1.30	\$0.95-\$1.00
1952-----	1.22½	.90-.95
1953-----	1.18	.85-.90
1954-----	1.00	.64-.70

On twill-backs it can be seen that Italian imports in 1951 through 1953 paying the current rate of duty under paragraph 909, 22½ percent were well able to compete with the domestic product and maintain a large volume of exports to this country. With the advantage of the waterproof duty of 12½ percent and with the added competition from Japan, the Italian imported twill-backs sold in this market at prices reduced 20-30 percent. Japanese imported twill-backs started entering in very large volume in early 1954 and were priced at 20-30 percent below the Italian product. The lower rate of duty merely served to depress market prices. Japanese twills because of lower prices started replacing the Italian import and still further depressed market prices.

The situation on the low grade plain-back is even worse. Not only was the market price badly depressed but domestic producers were forced to give up production of this item and turn the market over to the Japanese.

With the payment of proper duty rates on Japanese imports, the selling price will not be increased over 10 cents a yard on twill-backs and over 8 cents a yard on the low grade plain-backs. These slightly higher selling prices will not restrict these imports in the least.

The Japanese now have the import market on plain-backs. They will retain it. Now that the Japanese are out for the import market on twill-backs, nothing will stop them taking it almost completely away from the Italians.

Because the American producers can not hope to compete with the Japanese we are left that part of the market the Japanese do not want and we are forced to sell this reduced volume at unprofitable prices.

Attached is appendix 3 which shows the total consumption of velveteens from domestic sales and imports covering the years 1928 through the first 9 months of 1954. Since 1948 the percentage of the total market held by the domestic producers has been steadily dropping. It is estimated that when the complete figures for 1954 are known, that it will not be much more than 40 percent for 1954.

We are convinced the same trend would have taken place and the same figures attained for 1954 if there had not been a lowered rate of duty that only really affected 1953 and 1954. The lower rate accomplished only one thing: it forced lower prices in the market reducing our profits to the vanishing point.

If there is no change in rates under paragraph 909 and assuming the lower rates under paragraph 907 are not available, this is what will happen in the next year or two.

(1) The Japanese will capture 90 percent of the import twill-back market.
 (2) They will export to this country as much as they see fit being able to sell readily at prices far below American costs.
 (3) There will be left to the American producers whatever is left by the Japanese of the market for twill-backs.

(4) American selling prices will be held at levels of cost or below because of the far lower prices of the Japanese product.

(5) The Japanese will keep for themselves the entire market for low grade plain-backs.

(6) They will enter the better plain-back market when they see fit and again undersell the American producers.

Without relief the American velveteen industry is doomed in the very near future. We have been predicting this since 1933 at every opportunity. What we predicted has come true.

Not only has the velveteen industry already been seriously injured but is threatened with still further injury so serious as to threaten its complete destruction.

Therefore, the velveteen industry respectfully requests that the United States Tariff Commission as a result of its investigation find that increases in duties or additional import restrictions are required to avoid still further serious injury to the industry.

In a spirit of cooperation, the industry recommends for your consideration specific increases in rates on both plain-backs and twill-backs rather than import restrictions in the form of quotas or otherwise, because our only desire is to be able to compete on relatively even terms with foreign imports for the American market. We believe this can be accomplished by an upward adjustment in rates. We do not want to restrict or exclude foreign imports by quota.

Plainback velveteen

Value	Present rate, par. 909—31.25 percent ad valorem			Proposed rate, par. 909—30 cents per square yard, not less than 31.25 percent, not more than 46 percent		
	Duty	Duty and value	Percent ad valorem	Duty	Duty and value	Percent ad valorem
\$0.30	\$0.094	\$0.394	31.25	\$0.128	\$0.438	46.00
\$0.40 .....	.122	.522	31.25	.184	.584	46.00
\$0.50 .....	.156	.656	31.25	.23	.73	46.00
\$0.60 .....	.187	.787	31.25	.276	.876	46.00
\$0.70 .....	.218	.918	31.25	.30	1.0	42.9
\$0.80 .....	.25	1.05	31.25	.30	1.10	37.5
\$0.90 .....	.281	1.181	31.25	.30	1.20	33.4
\$1.00 .....	.313	1.313	31.25	.313	1.313	31.25
\$1.10 .....	.344	1.444	31.25	.344	1.444	31.25
\$1.20 .....	.375	1.675	31.25	.375	1.575	31.25

The proposed rate affects values below \$1. The higher values would not be affected because the minimum ad valorem would remain the same as now, 31¼ percent. The maximum ad valorem rate of 46 percent is a 50-percent increase over the present rate of 31¼ percent and the rate in effect January 1, 1954, but applies only on values \$0.60 or lower. The low grade plainback known as 3022 in Japan is selling in Japan for slightly less than 50 cents per yard. The proposed rate would increase the landed cost by less than 8 cents per yard. American producers still could not compete but might be able to get a small share of the market at at least a break even price because the proximity to the market might justify the higher prices needed to meet costs. The better grade European plainbacks would be valued at about the \$1 level. There would be no increase in rates on imports of this type.

Twillback velveteens

Value	Present rate, par. 909—25 cents per square yard, not less than 22 50 percent, not more than 44 percent			Proposed rate, par. 909—50 cents per square yard on values less than \$1.20; 35 cents per square yard on values \$1.20 and over; not less than 22 50 percent, not more than 56 25 percent		
	Duty	Duty and value	Percent ad valorem	Duty	Duty and value	Percent ad valorem
\$0.60	\$0.25	\$0.85	41.7	\$0.337	\$0.937	56.25
\$0.70 .....	.25	.95	35.7	.393	1.093	56.25
\$0.80 .....	.25	1.05	31.2	.45	1.25	56.25
\$0.90 .....	.25	1.15	27.7	.50	1.45	55.50
\$1 .....	.25	1.25	25.0	.50	1.50	50.0
\$1.10 .....	.25	1.35	23.7	.50	1.60	45.4
\$1.20 .....	.27	1.47	22.50	.50	1.70	41.7
\$1.30 .....	.293	1.593	22.50	.35	1.65	26.9
\$1.40 .....	.316	1.716	22.50	.35	1.75	25.0
\$1.50 .....	.337	1.837	22.50	.337	1.837	22.50
\$1.60 .....	.36	1.96	22.50	.36	1.96	22.50

The proposed rate affects values \$1.40 and below. The higher valuations would not be affected because the minimum ad valorem would remain the same as now, 22½ percent. The maximum ad valorem rate of 56¼ percent is a 50-percent increase over the rate in effect January 1, 1945, and is only an increase of 12¼ percent over the maximum now in effect. Because the specific rate is doubled

on values less than \$1.20 the increase varies from 12½ percent to 25 percent ad valorem. At the present foreign value of about 90 cents for Japanese twillback velveteens, the landed cost would be increased by 20 cents per yard. The American producers would still not be able to compete but would be able to hold some of the American market at better prices or slightly better. The proposed rate would have little or no effect on imports from Italy now valued at around \$1.40.

If the Tariff Commission desires any further supporting data or other information, the industry will be happy to cooperate.

The velveteen industry contends it already has been seriously injured by reductions in tariff rates that have taken place since 1930. It contends that far more serious injury is threatened in the very immediate future.

The velveteen industry requests that the Tariff Commission find that increases in duties are required to avoid further serious injury to the industry as set forth by law.

It hopes that the proposed rates are acceptable to the Commission and will become a part of its finding.

Respectfully submitted.

TARIFF COMMITTEE OF THE VELVETEEN INDUSTRY,
BURNET VALENTINE,

A. D. Juilliard & Co., Inc.

BYRON LEE WOOD,

Merrimack Manufacturing Co., Inc.

HOWARD RICHMOND,

Chairman, Crompton Co.

Mr. Burnet Valentine, Mr. Byron Lee Wood, and Mr. Howard Richmond being duly sworn, depose and say that they constitute a committee for the domestic velveteen industry authorized to prepare and present this brief and that they further swear that the statements herein, inasmuch as they come from the industry, are true to the best of their knowledge and belief.

MARIE COLLE,

Notary Public in the State of New York.

Commission expires March 30, 1955.

APPENDIX 1A.—*Twillback velveteens—Domestic production and sales*

Year	Production, square yards	Sales, square yards	Net value of sales	Year	Production, square yards	Sales, square yards	Net value of sales
1928.....	2, 676, 831	1, 910, 483	(1)	1942.....	2, 874, 196	3, 150, 376	\$3, 170, 593
1929.....	2, 903, 961	1, 301, 499	(1)	1943.....	1, 627, 281	1, 720, 635	1, 781, 402
1930.....	1, 309, 926	980, 085	(1)	1944.....	1, 163, 762	1, 234, 122	1, 345, 107
1931.....	328, 221	987, 364	(1)	1945.....	379, 360	394, 360	450, 969
1932.....	42, 994	848, 295	(1)	1946.....	1, 138, 952	979, 131	1, 386, 336
1933.....	41, 115	1, 221, 422	(1)	1947.....	1, 491, 195	1, 345, 337	2, 020, 051
1934.....	758, 257	1, 261, 983	(1)	1948.....	1, 973, 875	1, 771, 947	2, 854, 337
1935.....	1, 385, 206	1, 432, 055	(1)	1949.....	2, 402, 730	2, 192, 581	3, 638, 284
1936.....	1, 803, 521	1, 477, 378	(1)	1950.....	4, 076, 831	3, 918, 461	7, 195, 648
1937.....	972, 978	1, 342, 362	(1)	1951.....	4, 451, 125	4, 166, 329	8, 180, 800
1938.....	1, 432, 480	1, 756, 951	\$1, 227, 922	1952.....	5, 013, 057	4, 292, 862	8, 201, 580
1939.....	2, 829, 257	2, 441, 033	2, 022, 825	1953.....	3, 475, 404	3, 252, 080	6, 031, 684
1940.....	3, 529, 429	3, 137, 267	2, 728, 046	9 months			
1941.....	2, 922, 255	3, 134, 204	2, 783, 116	1954.....	2, 128, 347	2, 453, 203	3, 862, 820

¹ Not available.

Source: Velveteen Industry Statistics.

APPENDIX 1B.—Plainback velveteens—Domestic production and sales

Year	Production, square yards	Sales, square yards	Net value of sales	Year	Production, square yards	Sales, square yards	Net value of sales
1928.....	4,854,569	4,913,102	(1)	1942.....	2,884,667	3,277,167	2,360,217
1929.....	5,395,203	3,789,830	(1)	1943.....	2,135,495	2,236,869	1,751,959
1930.....	1,459,518	1,652,168	(1)	1944.....	1,884,325	1,898,626	1,492,439
1931.....	719,039	1,731,288	(1)	1945.....	1,653,429	1,766,391	1,395,366
1932.....	262,118	1,205,505	(1)	1946.....	2,601,173	2,410,732	2,326,025
1933.....	700,674	1,674,219	(1)	1947.....	2,953,145	2,983,060	3,328,000
1934.....	1,927,910	1,723,789	(1)	1948.....	2,901,825	3,092,690	3,635,489
1935.....	2,187,066	1,981,272	(1)	1949.....	2,099,705	2,242,278	2,668,381
1936.....	1,472,924	1,632,078	(1)	1950.....	2,806,199	2,762,245	3,718,899
1937.....	1,586,454	1,564,376	(1)	1951.....	3,643,434	3,493,894	4,836,828
1938.....	1,506,512	1,664,678	\$873,432	1952.....	3,243,439	3,238,246	4,215,984
1939.....	2,065,519	2,203,921	1,364,117	1953.....	4,207,913	3,500,244	4,620,047
1940.....	3,549,274	3,266,965	1,986,284	9 months, 1954.....	1,462,815	1,817,119	2,041,082
1941.....	3,510,847	3,624,062	2,241,211				

¹ Not available.

Source: Velveteen Industry Statistics.

APPENDIX 1C.—Summary—Total domestic production and sales of velveteens

Year	Production, square yards	Sales, square yards	Net value of sales	Year	Production, square yards	Sales, square yards	Net value of sales
1928.....	7,531,400	6,823,585	(1)	1942.....	5,758,863	6,427,543	5,530,810
1929.....	8,299,164	5,091,329	(1)	1943.....	3,762,776	3,957,504	3,533,361
1930.....	2,769,444	2,632,253	(1)	1944.....	3,048,087	3,132,748	2,837,546
1931.....	1,047,260	2,718,652	(1)	1945.....	2,032,729	2,160,751	1,846,335
1932.....	305,112	2,053,800	(1)	1946.....	3,740,125	3,389,863	3,712,361
1933.....	741,789	2,859,641	(1)	1947.....	4,444,340	4,328,397	5,348,051
1934.....	2,686,167	2,985,772	(1)	1948.....	4,875,700	4,864,637	6,489,825
1935.....	3,572,272	3,413,327	(1)	1949.....	4,502,435	4,434,859	6,306,665
1936.....	3,276,445	3,109,456	(1)	1950.....	6,883,030	6,680,706	10,912,547
1937.....	2,559,432	2,906,738	(1)	1951.....	8,094,559	7,660,223	13,017,628
1938.....	2,938,962	3,421,629	\$2,101,354	1952.....	8,246,496	7,531,108	12,417,564
1939.....	4,894,776	4,644,954	3,386,942	1953.....	7,683,317	6,752,329	10,651,731
1940.....	7,078,703	6,404,232	4,714,330	9 months, 1954.....	3,591,162	4,270,322	5,903,902
1941.....	6,433,102	6,758,256	5,024,327				

¹ Not available.

Source: Velveteen Industry Statistics.

APPENDIX 2.—United States imports of merchandise for consumption ¹

COTTON VELVETEENS, PAR. 909

Year and code	Total square yards	Total value	France		United Kingdom		Czechoslovakia		Japan		Italy		Germany		Other	
			Yards	Value	Yards	Value	Yards	Value	Yards	Value	Yards	Value	Yards	Value	Yards	Value
1928: Velveteen ²	3,017,188	2,403,477														
1929: Velveteen ²	2,689,169	1,985,991														
1930: Velveteen ²	1,602,362	1,111,415														
1931: Velveteen ²	476,756	413,004														
1932: Velveteen ²	59,566	49,231														
1933:																
Velveteen ^{2 3}	20,029	16,903														
Plainback.....	2,081	1,131														
Twillback ⁴	11,533	9,345														
1934:																
Plainback.....	101,805	25,869			27,890	10,591			73,128	14,099			769	1,168	18	11
Twillback ⁴	27,880	18,461	1,071	2,288	9,970	5,435	4,847	7,401	10,637	2,080			1,355	1,257		
1935:																
Plainback.....	1,792,624	268,952	175	184	4,925	2,163	293	285	1,786,758	265,937			118	149	355	234
Twillback ⁴	25,893	13,439	50	112	17,964	9,851	1,080	1,291	6,799	2,185						
1936:																
Plainback.....	5,030,009	717,642	194	483	8,117	3,271	10	21	5,019,968	713,276			321	420	1,179	131
Twillback ⁴	144,310	45,225	880	1,474	11,649	7,806	4,215	2,796	125,175	30,805			1,515	1,752	872	592
1937:																
Plainback.....	3,858,099	594,901	72	222	1,085	523			3,856,867	594,125					75	31
Twillback ⁴	36,756	36,108	177	307	12,779	10,076	10,875	7,252	52,471	15,210	80	77			450	382
1938:																
Plainback.....	967,024	153,666	58	128	2,030	1,350			963,961	151,202			850	903	125	83
Twillback ⁴	27,824	15,265	790	925	5,836	4,279	13,947	7,633	7,261	2,428						
1939:																
Plainback.....	1,624,255	231,309	118	196	1,575	1,266			1,622,392	229,788	170	59				
Twillback ⁵	58,985	14,443	101	44	4,529	2,205			54,355	12,194						
Twillback ⁶	8,154	7,676	1,318	1,238	6,836	6,438										
1940:																
Plainback.....	2,314,026	356,689	50	73	1,395	834			2,312,056	355,297					525	485
Twillback ⁵	42,219	11,863	413	162					38,273	10,061	3,533	1,640				
Twillback ⁶	6,696	6,139	1,734	1,368	2,893	3,046					72	131				
1941:																
Plainback.....	1,636,284	277,732			1,637	1,559			1,632,754	275,608					1,893	565
Twillback ⁵	55,777	15,848							55,777	15,848						
Twillback ⁶	4,544	3,991	784	590	3,749	3,393									10	8
1942:																
Plainback.....	15,321	6,854			3,742	3,468									7,1579	7,3,386
Twillback ⁶	32,509	63,783			32,509	63,783										
1943:																
Plainback.....	37,910	33,173			37,910	33,173									123	94
Twillback ⁴	123	94														

1944:																			
Plainback	65,551	70,751			65,551	70,751													
Twillback ^e	157	534			157	534													
1945:																			
Plainback	4,318	4,612			2,136	3,684			1,951	351								231	1,577
Twillback ^e	220	763			220	763													
1946:																			
Plainback	3,997	6,521	9	53	3,988	6,468													
Twillback ^e	9,653	30,238	1,136	4,062	398	1,370				8,061	24,674							58	132
1947:																			
Plainback	13,458	20,920	200	464	3,075	3,218													
Twillback ^e	5,811	6,409	73	266	358	763	5,380	5,380											\$10,183
1948:																			
Plainback	634	890			11	33							623	857					
Twillback ^e	518	289											518	289					
Twillback ^e	60,369	87,576	331	1,177	8,660	15,748							46,480	62,292					
1949:																			
Plainback	294,105	146,411			2,605	2,916													
Twillback ^e	109,305	151,838	1,529	3,834	1,509	3,109	1,699	2,599		291,500	143,495		9,664	8,570	94,904	133,726			
1950:																			
Plainback	908,407	499,605			5,107	5,529				902,358	493,280		940	972					2
Twillback ^e	952,645	1,218,776	241	272	63,287	89,605				178,854	163,522		708,464	963,026				1,799	2,570
1951:																			
Plainback	413,595	349,842	5,140	5,066	3,197	4,662				387,348	323,298		17,903	16,808					7
Twillback ^e	2,230,792	3,123,623	14,979	29,652	23,629	41,118				744,760	952,714	1,439,794	2,091,132					7,640	9,007
1952:																			
Plainback	449,580	297,643	2,827	2,571	1,205	1,596				439,613	288,131		5,923	5,321					12
Twillback ^e	1,032,342	1,362,561	9,560	13,197	55,985	84,318				184,415	210,807		777,207	1,047,072				5,175	7,167
1953:																			
Plainback ^e	246,149	2,176,068	5,482	4,155	2,518	3,256				220,914	156,331		6,748	7,153					10,487
Twillback	392,960	362,528	68,214	66,241	6,059	8,296				56,331	55,872		156,821	212,119					15,535
9 months, 1954:																			
Plainback, twillback (total, no breakdown)	112,756	112,733			726	1,235				46,884	33,025		42,680	60,333					18,481

WATERPROOF CLOTH OF COTTON OR OTHER VEGETABLE FIBERS, PAR 907 ⁹

Total, Italy and Japan only:																			
1951	32,626	45,427						0	0	32,626	45,427								
1952	259,173	317,812						42,190	29,128	216,983	288,684								
1953	2,182,895	2,306,070						1,012,938	792,197	1,169,897	1,512,873								
9 months 1954	3,275,875	3,144,473						1,989,404	1,575,852	1,286,471	1,568,621								

¹ Source: 1928-45, Foreign Commerce and Navigation Report. 1946-54, Census Report. No. FT-110.

² Figures for the period 1928-33 inclusive include census cotton velvet classification. Breakdown by country of origin not given.

³ Census breakdown between twillback and plainback began in midyear.

⁴ No breakdown as between under 65 cents or over 65 cents valuation.

⁵ Under 65 cents.

⁶ Over 65 cents.

⁷ Totals represent imports from China.

⁸ 10,163 yards from Belgium.

⁹ It is believed that practically all imports from Italy and Japan during 1951 through first 9 months of 1954 as waterproof cloth under par. 907 were velveteen either plainback or twillback.

APPENDIX 3.—Total consumption of velveteens

Year	Domestic sales, square yards ¹	Imports, square yards ²	Total sales imports and domestics, square yards	Percentage of domestic sales against total sales
1928.....	6,823,585	3,017,188	9,840,773	69
1929.....	5,091,329	2,689,169	7,780,498	65
1930.....	2,632,253	1,602,362	4,234,615	62
1931.....	2,718,652	476,756	3,195,408	85
1932.....	2,053,800	59,566	2,113,366	97
1933.....	2,895,641	33,643	2,929,284	99
1934.....	2,985,772	129,685	3,115,457	96
1935.....	3,413,327	1,818,517	5,231,844	65
1936.....	3,109,456	5,174,319	8,283,775	37
1937.....	2,906,738	3,935,855	6,842,593	42
1938.....	3,421,629	994,848	4,416,477	77
1939.....	4,644,954	1,691,394	6,336,348	73
1940.....	6,404,232	2,362,941	8,767,173	73
1941.....	6,758,256	1,696,605	8,454,861	80
1942.....	6,427,543	47,830	6,475,373	99
1943.....	3,957,504	38,033	3,995,537	99
1944.....	3,132,748	65,708	3,198,456	98
1945.....	2,160,751	4,538	2,165,289	99
1946.....	3,389,863	13,650	3,403,513	99
1947.....	4,328,397	19,269	4,347,666	99
1948.....	4,864,637	61,521	4,926,158	99
1949.....	4,434,859	403,410	4,838,269	91
1950.....	6,680,706	1,861,052	8,541,758	78
1951.....	7,660,223	³ 2,677,013	10,337,236	74
1952.....	7,531,108	³ 1,728,033	9,259,141	81
1953.....	6,752,329	³ 2,732,004	9,484,333	71
9 months 1954.....	4,270,322	³ 3,398,655	7,668,977	65

¹ Source: Velveteen industry statistics.

² Source: 1928-45 Foreign Commerce and Navigation Report; 1946-54 Census Report, No. FT-110.

³ Including imports of waterproof cloth from Italy and Japan commodity No. 3971100.

BRIEF FOR COMMITTEE FOR RECIPROCITY INFORMATION FROM DOMESTIC VELVETEEN MANUFACTURERS, DECEMBER 3, 1954

DECEMBER 3, 1954.

COMMITTEE FOR RECIPROCITY INFORMATION,
Tariff Commission Building, Washington 25, D. C.

GENTLEMEN: The Interdepartmental Committee on Trade Agreements has issued formal notice of the intentions of the United States Government to participate in reciprocal tariff negotiations involving Japan in a conference to be convened next February in Geneva. In the President's list of articles imported into the United States, proposed for consideration in trade agreement negotiations with Japan and other countries, there is:

"SCHEDULE 9. COTTON MANUFACTURES

"Par. 909: Pile fabrics (not including pile ribbons), cut or uncut, whether or not the pile covers the entire surface, wholly or in chief value of cotton, if velveteens."

Pursuant to section 3 of the Trade Agreements Extension Act of 1951, as amended and under the authority of section 332 of the Tariff Act of 1930, the velveteen industry has presented to the United States Tariff Commission a brief with much supporting statistical data (1) contending that it already has been seriously injured by reductions in tariff rates that have taken place since 1930 and that far more serious injury is threatened in the very immediate future; and (2) requesting a finding by the Tariff Commission that increases in duties are required to avoid further injury to the industry as set forth by law.

Copy of this brief to the United States Tariff Commission dated December 3, 1954, is attached hereto and made part of this brief as enclosure I.

This brief in behalf of the domestic velveteen industry intends to show that (1) all reductions of tariff rates since 1930 already made on velveteens although originally intended as a concession to European countries, have in fact benefited only Japan whose ever-increasing imports of velveteens are not only destroying the American industry but also driving out of this market European imports of velveteens; and (2) a modest increase in rates on the lower valuations of velveteens would not restrict or exclude Japanese imports but would permit the

American producers and European imports to compete for a fair share of the American market at fair prices.

Furthermore, the domestic velveteen industry contends that section 350 (a) of the Trade Agreements Extension Act of 1934 as amended is not a one-way street in only reducing tariff rates for the purpose of promoting foreign trade as set forth therein. It believes that under the conditions that exist in the velveteen industry an increase in rates on the lower valuations of velveteens is not only called for under this section but would in effect promote the foreign trade of the United States without in any way penalizing European countries with whom all previous reductions were negotiated or Japan, with whom the impending trade agreements will be negotiated.

BACKGROUND OF VELVETEEN INDUSTRY

The individual members of the velveteen industry are listed herewith and represented by this brief:

- Crompton Co., West Warwick, R. I.:
- Crompton Richmond Co., Inc., New York, N. Y.
- Crompton Shenandoah Co., Inc., Waynesboro, Va.
- Crompton Highland Mills, Inc., Griffin, Ga.
- Arkansas Cotton Mills, Inc., Morrilton, Ark.
- Deering Milliken & Co., Inc., New York, N. Y.:
- Drayton Mills, Spartanburg, S. C.
- A. D. Juilliard & Co., Inc., New York, N. Y.:
- New York Mills Division, New York Mills, N. Y.
- Brookford Mills Division, Brookford, N. C.
- Aragon Mills Division, Aragon, Ga.
- Merrimack Manufacturing Co., Inc., New York, N. Y.
- Mills, Lowell, Mass.

Starting on page 2 of the enclosed brief to the Tariff Commission is set forth a brief description of the American Velveteen Industry and should be sufficient for this brief without repetition.

TARIFF AND IMPORT HISTORY

The tariff and import history of the velveteen industry is clearly set forth at some length in the enclosed brief to the Tariff Commission starting on page 4.

The reduction made under paragraph 336 in 1936 was made after a cost comparison was made with English and German producers. At that time there were no Japanese imports. The European countries were not able to benefit by these reductions. But, Japan certainly did. Please refer to appendix 2 of the Tariff Commission brief. Japanese imports soared to 5 million yards in 1936.

The reductions made in the Trade Agreements with United Kingdom in 1939 on twill-backs of over 65 cents in value could not be tested because of World War II and its aftermath.

Without waiting to see whether further reductions on twill-back velveteens could be justified, another reduction was made on twill-backs in the Trade Agreement at Geneva in 1948. It was not until 1949 did Japan start exporting twill-back velveteens. Prior to that date Japanese exports of velveteens were almost wholly the cheaper lower grade plain-backs, the duty on which was cut in half in 1933. Therefore, the reductions on twill-back velveteens made in 1933, 1939 and 1948 were made as concessions to European producers. The Japanese were not even in the picture.

A further small reduction on twill-back velveteens made at Torquay in 1951 only affected the higher valuations. At that time the negotiators were aware of the Japanese threat on twill-back velveteens and purposely avoided any reduction at the Japanese value level. But the damage had already been done in 1933, 1939, and 1948.

The reduction made in 1948 at Geneva on waterproof cloth, wholly or in chief value of cotton, is explained at length in the enclosed brief starting on page 7. The effect of this reduction was unexpected but staggering to the industry. The chaotic market conditions resulting will not be described again in this brief. The industry is exceedingly grateful to the Treasury Department and Bureau of Customs for the clarifying decision (T. D. 53630 of October 12, 1954, effective January 14, 1955) which we hope and expect will result in importers paying regular and proper rates of duty on velveteens as of January 14, 1955.

As pointed out in our brief to the Tariff Commission starting on page 9, it is our firm conviction that the reductions made on velveteens under paragraph 909 in 1933, 1939, 1948, and 1951 would have produced exactly the same results with respect to foreign competition even if the fiasco surrounding the waterproof cloth under paragraph 907 had not occurred.

Therefore, we contend that the reductions made on velveteens under paragraph 909 since 1930 were aimed as concessions to European countries but ended up by benefiting only Japan.

We are convinced that if the Japanese were exporting plain-back and twill-back velveteens in 1933 that the reductions made at that time and subsequently would not have been made. If it were not for the 8-year reprieve from Japanese competition that the American producers got because of World War II and its aftermath, it is most likely that we would have been destroyed 8 years ago because of the complete inability to compete with the Japanese at current cost levels and current rates of duty.

If there is truth in this argument, and we know there is, isn't it an obligation of this administration in conducting the forthcoming trade agreement negotiations with Japan to rectify damage that was inadvertently done to an industry through the operations of the flexible provision and the trade agreement amendments of the Tariff Act of 1930?

The recommended increases in rates on both plain-back and twill-back velveteens as outlined in the Tariff Commission brief starting on page 13, are suggested in a true sense of cooperation by the industry. They will not affect imports of plain-back and twill-back velveteens from European countries because the valuation at which these would be assessed have not been affected by the proposed increases. The increases are directed solely to Japanese exports. If they applied now the Japanese would still be able to land both plain-back and twill-back velveteens in this market below American costs. We know they will still be able to undersell us.

Therefore, we contend that a substantial part of the American market will still be served by Japanese imports. Such an increase would not restrict Japanese trade on velveteen with the United States. It would permit the European imports to compete for a share of this market by at least partially compensating for the differences in cost of production in Japan and in the European countries. Furthermore, such an increase would give the American producer a chance of obtaining profitable prices on that part of the market it is able to hold at prices that still must be higher than Japanese imports because of costs.

What possibly could be gained by the Japanese by maintaining current rates or even inconceivably lowering rates on velveteens? They would not sell any more in this market than they would under proposed increased rates. They always will be able to undersell the American producer. The question is only by how much. This spread does not determine total volume. There are many other factors involved in the limited market for velveteens in this country. Style plays a big part. Without the active fashion promotion and advertising of the American industry how long would velveteens stay in style? Certainly the Japanese haven't spent 1 cent on this in the past and won't in the future. Without style acceptance the total market shrinks. If the market shrinks, Japanese exports shrink. Without a healthy prosperous domestic industry to promote and advertise the basic fabric, there is bound to be a shrinking market which will restrict Japanese exports. Therefore, the Japanese industry should want a strong, healthy American industry to maintain their market here for their exports. Logically there can be no objections from the Japanese on the suggested higher rates on velveteens. Rather if the facts are spread before them, we believe the Japanese industry will support our proposed higher rates on velveteens.

A strong healthy American velveteen industry, not only will aid the Japanese exports to this country by creating a bigger market and thereby promoting Japanese trade, but as small as it is, the velveteen industry contributes at least its share to the American economy. A prosperous American economy is better able to buy more foreign goods of all description which in the final analysis means expanding markets for the products of the United States.

There is nothing written or implied in the Trade Agreements Act of 1934, as amended and extended, that prohibits increasing of tariff rates in trade agreements negotiations. In fact just the contrary is expressly provided limiting the President's power to increase rates no more than 50 percent over those in effect January 1, 1945. The proposed increases on velveteen rates under paragraph 909 are within that limitation.

The American velveteen industry sincerely believes that the proposed increases in rates on velveteens under paragraph 909 should be recommended to the President by the committee for reciprocity information and that these increases should be negotiated with Japan in the forthcoming trade agreement negotiations, because such a move would:

(1) Assure the Japanese a larger American market for velveteens and assuring the Japanese a continued large share of this market.

(2) Allow European producers a fighting chance to compete for even a small share of the market now almost denied them.

(3) Insure a healthy strong American industry ready, willing, and able to promote and advertise velveteens in the fashion field and at the same time compete for a fair share of the market at profitable prices, though of necessity higher than Japanese imports.

(4) In a small way contribute to the expansion of our foreign trade by contributing to the overall welfare of the economy.

Respectfully submitted.

TARIFF COMMITTEE OF THE VELVETEEN INDUSTRY,
BURNET VALENTINE, A. D. Juilliard & Co., Inc.
BYRON LEE WOOD,
Merrimack Manufacturing Co., Inc.
HOWARD RICHMOND, *Chairman, Crompton Co.*

Mr. Burnet Valentine, Mr. Byron Lee Wood, and Mr. Howard Richmond, being duly sworn, depose and say that they constitute a committee for the domestic velveteen industry authorized to prepare and present this brief, and that they further swear that the statements herein, inasmuch as they come from the industry, are true to the best of their knowledge and belief.

MARIE COLLE,
Notary Public in the State of New York.

Commission expires March 30, 1955.

ORAL TESTIMONY BY HOWARD RICHMOND, CHAIRMAN, TARIFF COMMITTEE OF THE VELVETEEN INDUSTRY, BEFORE COMMITTEE FOR RECIPROCITY INFORMATION, DECEMBER 21, 1954

My name is Howard Richmond. I am vice president of Crompton Co. and am appearing before you today in behalf of the American velveteen industry.

The Interdepartmental Committee on Trade Agreements has issued formal notice of the intentions of the United States Government to participate in reciprocal tariff negotiations involving Japan and other countries in a conference to be convened next February in Geneva.

Velveteens, paragraph 909, schedule 9, are included in the President's list of articles imported into the United States proposed for consideration in the trade-agreement negotiations.

On December 3, 1954, the velveteen industry submitted to the Committee for Reciprocity Information our formal written brief, in which we have made a sincere effort to show that (1) all reductions of tariff rates made since 1930 of velveteens, although originally made as concessions to European countries, have in fact benefited only Japan, whose ever-increasing imports of velveteens are not only destroying the American industry but are also driving out of this market European imports of velveteens, and (2) a modest increase in rates on the lower valuations of velveteens would not restrict or exclude Japanese imports, but would permit the American producers and European imports to compete for a fair share of the American market at fair prices.

My purpose here today is to elaborate on this brief and to add additional information for the convenience of this committee. In addition, I will be happy to try to answer any of your questions.

The individual members of the velveteen industry I represent here today are:

Crompton Co., West Warwick, R. I.
Crompton Richmond Co., Inc., New York, N. Y.
Crompton Shenandoah Co., Inc., Waynesboro, Va.
Crompton Highland Mills, Inc., Griffin, Ga.
Arkansas Cotton Mills, Inc., Morrilton, Ark.
Deering Milliken & Co., Inc., New York, N. Y.
Drayton Mills, Spartanburg, S. C.

A. D. Juilliard & Co., Inc., New York, N. Y.
New York Mills Division, New York Mills, N. Y.
Brookford Mills Division, Brookford, N. C.
Aragon Mills Division, Aragon, Ga.
Merrimack Manufacturing Co., Inc., New York, N. Y.
Mills, Lowell, Mass.

Pursuant to section 3 of the Trade Agreements Extension Act of 1951, as amended, and under the authority of section 332 of the Tariff Act of 1930, the velveteen industry submitted a written brief to the United States Tariff Commission on December 3, 1954. This morning I appeared before the Tariff Commission elaborating on that brief and adding additional information. A copy of the written brief to the Tariff Commission was submitted to the Committee for Reciprocity Information as enclosure No. 1 to our written brief. I now request that a copy of my oral testimony to the Tariff Commission be made a part of the record of these proceedings.

The velveteen industry in its brief and testimony to the Tariff Commission claims that serious injury from foreign competition now exists and that even more serious injury is imminent, qualifying it for a finding by the Commission that increases in duties or import restrictions are required, as provided by law, to avoid still further injury. We believe that increases in rates are preferable to import restrictions. In a spirit of cooperation, we have made specific recommendations to the Commission confining the increases in rates, within the limitations of the law, to the lower valuations covering the Japanese imports, against which we now cannot compete, and without affecting the higher valuations covering European imports. We have urged that these specific recommendations become part of the findings of the Tariff Commission in its report to the President.

In our written brief to the Committee for Reciprocity Information submitted December 3, 1954, we have carefully outlined the history of all velveteen tariff reductions since 1930. For tariff purposes velveteens are divided into plainbacks and twillbacks. Both are made on the same equipment and employ the same skills. The difference is in the weaving construction, type of yarns used, and the grade and staple of cotton employed. Twillbacks are the more expensive types, used in all kinds of children's, girls', and women's ready-to-wear where fastness of pile is of prime importance for durability. Plainbacks are the cheaper constructions used primarily for box linings, for display purposes, and for trimmings on apparel where fastness of pile is not important. The duty on plainbacks under paragraph 909 has been reduced 50 percent since 1930. The duty on twillbacks has been reduced 64 percent since 1930. Furthermore, as outlined in our brief, during the years 1951 through 1954, when the 12½ percent ad valorem rate on waterproof cloth under paragraph 907 applied to velveteens, the reductions amounted to 80 percent on both plainbacks and twillbacks since 1930.

We ask the question, Why are velveteens on the President's list of articles imported into the United States proposed for consideration in reciprocal tariff negotiations with Japan?

Is it because the Japanese requested that velveteens be included in that list? If that is the case, do the Japanese seriously believe that there is any justification for reducing tariff rates on velveteens? Under the present rates they have been successful in underselling the American producers by 25 to 35 percent, increasing their imports to this country since 1949 to the point where they will amount to over 3 million yards in 1954. They have captured the entire American market for the low grade plainback velveteens, having forced the American producers to discontinue production. We have already lost that market to the Japanese. They are now out to do the same on twillbacks. They have improved their quality on twillbacks to a point where it is acceptable to the American market and are rapidly expanding their exports on twills to this market by underselling American producers by at least 25 percent. They are now in a position to control the market on twillbacks. Certainly, a reduction in rates on velveteens can aid them no further.

Is it because this Government requested that velveteens be included in that list so that, after a careful study by the Tariff Commission and the Committee on Reciprocity Information, inequities in rates that now exist can be corrected in these negotiations with Japan as provided for by law? We would like to think so.

There is nothing written or implied in the Trade Agreements Act of 1934 as amended and extended that prohibits increasing tariff rates in trade-agreement negotiations. In fact just the contrary is expressly provided by limiting the

President's power to increase rates no more than 50 percent over those in effect January 1, 1945.

There is nothing written or implied in the general principles of the President's foreign trade policy of gradually reducing trade restrictions of all kinds to promote foreign trade between the United States and other countries in the world that prohibits increasing tariff rates in trade-agreement negotiations, provided such increases are not restrictive to foreign countries.

The proposed specific increases in tariff rates on velveteens, which apply to the lower valuations only, are within the limitations provided for in the Trade Agreements Act and cannot be considered restrictive to either European countries or to Japan.

Since the proposed increases apply only to the lower valuations they will not affect imports of velveteens from Italy, Great Britain, and other European countries with whom all the original concessions were made in previous trade agreements. Certainly there can be no objection from these countries. Furthermore, under the present rates, which would not be affected on valuations of European imports of both plain-back and twill-back velveteens, imports from these countries can land and sell in this market at prices slightly less than American prices.

The proposed increases applying to the lower valuations of Japanese velveteens will still allow the Japanese to land both plain-back and twill-back velveteens in their market below American costs. We know they will still undersell us. Therefore, the Japanese will continue to export a large volume of velveteens to this country. The higher rates would only reduce the gap that now exists in this market between Japanese imports on the one hand and American velveteens and European imports on the other hand. They would at least partially compensate for the vast differences in cost of production in Japan, in European countries, and here in the United States. Furthermore, these increased rates would give the American producer a chance of obtaining profitable prices on that part of the market it is able to hold against the ever present Japanese competition. Therefore, we repeat, the proposed rates would not be restrictive on Japanese imports of velveteens to the United States.

Just what do these increased rates mean in dollars and cents? Low grade plain-back velveteens are selling in Japan at about \$0.46 per yard. The present duty of 31¼ percent amounts to \$0.14375 per yard. The proposed duty of 30 cents per square yard, not less than 31¼ percent, not more than 46 percent, would amount to \$0.2116. The increase would amount to \$0.06785. That is less than \$0.07 per yard. Allowing \$0.02 for transportation and insurance, the landed cost of this fabric would amount to \$0.6916 per yard. The lowest price the American producers have been able to sell a comparable product at, is \$1.03 which is just above the break-even point. Don't you think the importer can sell his Japanese velveteens at 15 to 20 percent below the American price and still make a nice profit?

Better grade plain-back velveteens are selling in Japan at about \$0.68 per yard. The present duty of 31¼ percent amounts to \$0.2125 per yard. The proposed duty of 30 cents per square yard, not less than 31¼ percent, not more than 46 percent, would amount to \$0.30. The increase would be \$0.0875 per yard. Allowing \$0.025 for transportation and insurance the landed cost of this fabric would amount to \$1.005 per yard. The lowest price the American producer has been able to sell a comparable product is \$1.35 which is again figured very close. Don't you think the importer can sell his Japanese velveteen at from 15 to 20 percent below the American price and still make a nice profit?

Twill-back velveteens are selling in Japan at about \$0.85 per yard. The present duty of 25 cents per square yard, not less than 22½ percent, not more than 44 percent, amounts to \$0.25. The proposed duty of 50 cents per square yard on values less than \$1.20, 35 cents per square yard on values \$1.20 and over, not less than 22½ percent, not more than 56¼ percent, amounts to \$0.50. The increase would be \$0.25 per yard. Allowing \$0.03 for transportation and insurance the landed cost of this fabric would amount to \$1.38. The lowest price on a comparable American product has been about \$1.75. Again, we ask, don't you think the importer can sell his Japanese velveteen at from 10 to 15 percent less than the American price and still make a nice profit?

We believe these facts and figures speak for themselves.

The Japanese would sell just as much velveteen in this market under the proposed rates as they would under the present rates because they still would be able to undersell the American producer as well as the European imports. The only difference would be that the price advantage would be narrowed somewhat.

Why are these proposed rates vitally necessary to the American industry? Without this added protection, the American industry cannot long survive. The handwriting is on the wall. We face complete destruction brought about by conditions entirely out of our control. Under the proposed rates we have a fighting chance of obtaining profitable prices on that part of the market we are able to maintain.

The demand for velveteens in this market is largely dependent on style and fashion acceptance. Without the active fashion promotion and advertising of the American industry, how long would velveteens stay in style? Without style acceptance, the total market shrinks. How can the American industry continue to spend the money necessary to promote and advertise velveteens if it is not permitted to exist? Certainly the Japanese won't spend the money. Isn't it far better for the Japanese to have a healthy prosperous domestic velveteen industry?

Certainly there should be no objections from the Japanese to the suggested higher rates on velveteens. Rather, if the facts are spread before them, we believe the Japanese industry will support these proposed higher rates.

A strong healthy American velveteen industry, not only will aid Japanese exports to this country by creating a larger market, but also, as small as it is, it will continue to contribute at least its share to the welfare of the American economy. A prosperous American economy is better able to buy more foreign goods of all descriptions, which in the final analysis means expanding markets for the products of the United States.

I have brought with me samples which I would like to submit to show you just what we are up against. They are labeled as to country of origin, current export price and landed cost under present and proposed rates of duty. The comparable American samples are properly marked including current selling prices. [Show samples.]

The American velveteen industry sincerely believes that the proposed increases in rates on velveteens under paragraph 909 should be recommended to the President by the Committee for Reciprocity Information and that these increases should be negotiated with Japan in the forthcoming trade-agreement negotiations.

We are completely unable to find any justification for a recommendation other than one that calls for increases in rates or for the imposition of import restrictions. We believe increases in rates are preferable. After careful study we feel the specific recommendations we have made in increasing rates on the lower valuations is fair. If put into effect, we know we still will be fighting lower price Japanese competition. We hope we would be able to coexist on a profitable basis. We may not. In which case further increases in rates or imposition of import restrictions would be necessary.

We are not crying wolf. We have our backs to the wall. We are not asking for sympathy or special considerations. We are asking only for what is provided for under law.

We are confident that the Committee for Reciprocity Information will see that justice is done.

ORAL TESTIMONY BY HOWARD RICHMOND, CHAIRMAN, TARIFF COMMITTEE OF THE VELVETEEN INDUSTRY, BEFORE UNITED STATES TARIFF COMMISSION, DECEMBER 21, 1954

My name is Howard Richmond. I am vice president of Crompton Co. and am appearing before you today in behalf of the American velveteen industry.

On December 3, 1954, we filed with the Tariff Commission our formal written brief in which we made a sincere effort to document the history, facts, and statistics of the domestic velveteen industry and of the importations of foreign velveteens into this market since 1928.

As required by law, the Tariff Commission is now making its investigations with respect to the individual items included in the President's list of articles proposed for consideration in trade agreement negotiations to be conducted with Japan and other countries. Velveteens, paragraph 909 in schedule 9, are on that list.

The Tariff Commission is directed to 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.

The velveteen industry claims that serious injury from foreign imports now exists and that furthermore serious injury is imminent, qualifying it for a finding by this Commission that increases in duties or import restrictions are required because of injury from foreign competition.

My purpose today is to elaborate on this brief and to add additional information for the convenience of the Commission. Furthermore, I will be happy to try to answer any of your questions.

The individual members of the velveteen industry I represent here today are—

Crompton Co., West Warwick, R. I.

Crompton Richmond Co., Inc., New York, N. Y.

Crompton Shenandoah Co., Inc., Waynesboro, Va.

Crompton Highland Mills, Inc., Griffin, Ga.

Arkansas Cotton Mills, Inc., Morrilton, Ark.

Deering Milliken & Co., Inc., New York, N. Y.

Drayton Mills, Spartanburg, S. C.

A. D. Juilliard & Co., Inc., New York, N. Y.

New York Mills Division, New York Mills, N. Y.

Brookford Mills Division, Brookford, N. C.

Aragon Mills Division, Aragon, Ga.

Merrimack Manufacturing Co., Inc., New York, N. Y.

Mills, Lowell, Mass.

Except for the years of World War II and its aftermath, the velveteen industry has been up against low cost foreign competition since 1928 and even before. Why is this so? There is a very simple answer. Velvetens, which are a very highly specialized cotton fabric, require more labor to produce than any other textiles of importance. This is a well-established fact and is substantiated in your own files from previous surveys made. In modern times the American standard of living has been the highest in the world. It has been and is now impossible for American producers of velveteen to come anywhere near competing with lower cost European countries and particularly Japan. We can't even come close.

Tariff protection or other import restrictions are necessary for the American velveteen producers to be able to compete with foreign producers in the American market. This is another well-established fact that can be substantiated in your own files.

The velveteen industry, though small by all standards, holds a time-honored position in the textile industry having its beginning in this country back in 1882. Its position in the textile industry is symbolic of many other segments of the industry now becoming more and more aware of injury and threatened injury from foreign competition.

The eyes of the whole textile industry are on the Tariff Commission at this time, eagerly awaiting your finding as to whether injury to the velveteen industry exists, and if so your recommendation with respect to increases in duties or import restrictions.

In our brief we have carefully outlined the history of all tariff reductions on velveteen since 1930. For tariff purposes velvetens are divided into plainbacks and twillbacks. Both are made on the same equipment and employ the same skills. The difference is in the weaving construction, type of yards used and the grade and staple of cotton employed. Twillbacks are the more expensive; used in all kinds of children's, girls' and women's ready-to-wear where fastness of pile is of prime importance for durability. Plainbacks are the cheaper construction; used primarily for display purposes and for trimmings where fastness of pile is not important. The duty on plainbacks under paragraph 909 has been reduced 50 percent since 1930. The duty on twillbacks has been reduced 64 percent since 1930. Furthermore as outlined in our brief during the years 1951 through 1954, when the 12½-percent rate on waterproof cloth under paragraph 907 applied to velveteen, the reduction amounted to 80 percent in both plainbacks and twillbacks since 1930.

How has the velveteen industry been injured as a result of foreign competition and to what extent? That is the key to the situation. Here are the facts.

(1) Since 1949 the American producers have had a progressively smaller share of the American market for velveteens.

(2) Foreign imports have increased from less than 2 million yards annually in 1949 to an estimated 5 million yards in 1954, an increase of 250 percent.

(3) American production has dropped from 7½ million yards in 1951 to an estimated 5½ million yards in 1954, a decrease of 27 percent.

(4) American producers have been forced to discontinue entirely the production of low-grade plainback velveteens, having been driven completely from the market by Japanese imports.

(5) Because of the much lower prices that Japanese imports can sell in this market, the average selling prices of American velveteens have been forced downward an average of 22 percent on twillbacks and 23 percent on plainbacks in the last 3 years. Even with these reductions we are being undersold now by about 25 percent by Japanese imports.

(6) These lower prices and reduced volume for the American producers can mean only one thing—the difference between profit and loss caused directly by foreign competition.

(7) Because of the declining American production of velveteens, there remains idle much specialized equipment that cannot be utilized in the production of other textiles.

(8) Employment in the velveteen industry has declined 37 percent in the last 3 years. This amounts to loss of jobs for 600 highly trained employees and is caused directly by increased foreign competition.

These are the cold, hard facts. They are all carefully documented for you in our written brief.

Industry average cost figures are not available. Speaking only for my own company, we would be happy to submit in strict confidence to the Commission, if desired, our own detailed costs on velveteens as further evidence substantiating our position.

We repeat, the velveteen industry has been injured by foreign competition. The injury has been substantial and serious. We have given you all the facts. What more can we do?

We ask that the Tariff Commission find as a result of its investigations that increases in duties or additional import restrictions are required to avoid still further injury as provided for by law.

The velveteen industry sincerely desires to cooperate with the Commission. We believe that increases in rates are preferable to import restrictions. We do not ask that foreign imports be restricted. We ask only to be able to compete on relatively even terms with foreign imports in the American market. Increases in rates within the limitation of the law and applied to the lower valuations would not price foreign imports out of this market. Both Europeans and Japanese would still be able to undersell American producers but the gap would be narrowed. This would help us maintain our share of the market and at prices that should give us a chance of making a profit.

A great deal of study has been given to this matter and in our brief we have made specific recommendations on proposed increased rates on plainback and twillback velveteens. By using a combination of a specific plus a maximum and minimum ad valorem rate, we were able to confine the increases to the lower valuations covering the Japanese imports against which we now cannot compete and without affecting the higher valuations covering European imports. We believe these proposed rates are fair. If they are acceptable to the Commission, we urge that they become a part of its finding.

I have brought with me samples which I would like to submit to show you just what we are up against. They are labeled as to country of origin, current export price, and landed cost under present duty rates. The comparable American samples are properly marked including current selling prices.

If the rates on paragraph 909 covering velveteens are not raised, this is what will happen in a near year or two.

(1) The Japanese who now have over 60 percent of the import twillback market will increase this to over 90 percent because the European countries cannot hope to compete with Japan in this market.

(2) The Japanese will export to this country just as much as they see fit because they can undersell us here by at least 25 percent under the present duty rates.

(3) The American producers will have to compete for whatever is left of the market.

(4) American selling prices will be held at levels of cost or below.

(5) The style acceptance of velveteen which we have worked so hard to create will vanish as the market is flooded with low-priced goods.

(6) The Japanese will keep for themselves the entire market for low-grade plainbacks.

(7) They will enter the better plainback market when they see fit and again undersell the American producers.

That is the immediate future. What about the long-term future? The handwriting is on the wall. No industry can last long under this onslaught. Destruction—complete destruction—faces this American industry.

If we haven't an ironclad case for injury and threatened injury from foreign competition, then we question whether any industry can prove injury. We are not crying "wolf." We are fighting with our backs to the wall. We are not asking for sympathy or special consideration. We are asking only for what is provided for under the law. That is, a finding by this Commission that injury exists and that increases in duties are required to avoid further serious injury to the industry as set forth by law.

We hope the proposed rate increases are acceptable to the Commission and will become a part of its finding.

UNITED STATES TARIFF COMMISSION,
Washington 25, D. C., February 8, 1955.

HON. BURR P. HARRISON,
House of Representatives.

DEAR MR. HARRISON: I have your letter of January 21, 1955, with which you transmit a letter from Mr. C. A. Tabor, an employee of the Crompton-Shenandoah Co., Waynesboro, Va., relative to the impact of Japanese velveteens on the domestic velveteen industry and also in which you request comments on the information contained in Mr. Tabor's letter.

In this letter, Mr. Tabor states that the average textile wage in Japan is about 13 cents per hour as compared with an average cotton-textile wage in the United States of about \$1.35 per hour. He also compares the manufacturing cost, \$1.36 per yard, of domestic velveteens with the New York market price, \$1.15 per yard, of imported Japanese velveteens.

The Tariff Commission has not made a study of cotton velveteens in recent years, with reference to cost of production. However, the data in Mr. Tabor's letter agrees substantially with the information recently submitted by a number of textile associations and by the domestic velveteen manufacturers to the Tariff Commission and the Committee for Reciprocity Information. Data submitted by the domestic velveteen manufacturers show that prices of Japanese velveteens at New York in the years 1951-54 were from 23 to 35 percent below those of comparable domestic velveteens.

Imports of cotton velveteens increased sharply from 130,000 square yards in 1934 to 5.2 million square yards in 1936, but declined thereafter to 1.2 million square yards in 1941. In the war years, 1942-48, imports were small, ranging between 4,500 and 65,700 square yards. Imports increased from 403,000 square yards in 1939 to 2.7 million square yards in 1953, and to 4.7 million square yards in the first 11 months of 1954. The large imports of velveteens in 1953 and 1954 were chiefly velveteens from Japan and Italy entered as waterproof cloth under paragraph 907 at 12½ cents ad valorem.

The ratio of imports of cotton velveteens to domestic production varies from year to year. In the peak year of 1936 imports exceed production by about 66 percent; during the war years, 1942-48, production supplied about 99 percent of domestic consumption. In 1953 imports amounted to about 40 percent of domestic production, and in 1954 imports are expected to equal, if not exceed, production.

Cotton velveteens were dutiable under paragraph 909 of the Tariff Act of 1930 at 62½ percent ad valorem, but have been subject to reductions under section 336 of the Tariff Act of 1930; and twillback velveteens have been subject to further reductions pursuant to concessions granted in the General Agreement

and Tariffs and Trade (GATT). The changes in the rates are shown in the following table:

Cotton velveteens: changes in the rates of duty

	Plainback	Twillback
Act of 1930.....	62½ percent ad valorem.....	52½ percent ad valorem.
Section 336, July 24, 1933.....	31¼ percent ad valorem.....	44 percent ad valorem.
United Kingdom trade agreement, Jan. 1, 1939.....	No change.....	37½ percent ad valorem (if valued 65 cents or more per square yard), 25 cents per square yard; 25 percent ad valorem minimum; 44 percent ad valorem maximum.
General Agreement on Tariffs and Trade (GATT), Jan. 1, 1948.....	.....do.....	25 cents per square yard; 22¼ percent ad valorem minimum; 44 percent ad valorem maximum.
GATT, Nov. 17, 1951.....	.....do.....	

Under the authority of the Trade Agreements Act of 1934 as amended, and extended, the rates of duty on imported articles may be increased or decreased by 50 percent of the rates which were in effect July 1, 1945. On that date the rate of duty on plain back velveteens was 31¼ percent ad valorem; the rates on twillback velveteens were 37½ percent ad valorem if valued at 65 cents or more per square yard and 44 percent ad valorem if valued less than 65 cents per square yard.

The copy of Mr. Tabor's letter is returned herewith. Also, we are referring a copy of his letter to the Committee for Reciprocity Information for its information.

If we can be of further assistance to you, please let us know.

Sincerely yours,

EDGAR B. BROSSARD, *Chairman.*

Senator MILLIKIN. Can you give us the gist of Mr. Brossard's letter?

Mr. RICHMOND. Mr. Brossard—

Senator MILLIKIN. Tell us the ultimate effect of the letter.

Mr. RICHMOND. He confirmed the fact that the increase in imports was substantially the same as we claimed in our brief. He gave the tariff history showing where the cuts were made on the individual items of plainbacks and twillbacks and beyond that he went no further.

Senator MILLIKIN. I did not hear what you said there—"beyond that" what?

Mr. RICHMOND. He went no further than that.

Senator MILLIKIN. Was it up to him to make a decision?

Mr. RICHMOND. Not in this letter. He was asked by Representative Harrison if certain information he had was correct and was substantiated by Mr. Brossard.

Senator MILLIKIN. Are there any of your actions pending before the Tariff Commission.

Mr. RICHMOND. Not now, but they will be within a week or 10 days.

We have not yet made our figure of our escape clause application.

Senator MILLIKIN. Thank you very much.

We believe there are many other industries, large and small in the same situation. We are sure that during the next 3 years under H. R. 1 there will be many more industries that will be seriously injured and will wake up to the fact that hope for relief is dim to say the least.

You are now considering H. R. 1 which has just recently been passed by the House. You have heard testimony from many important members of the administration insisting that this bill be passed

promptly without amendment. This sentiment has been echoed by many others. You have heard the testimony from many important groups in opposition urging amendments of various sorts primarily designed to strengthen the safeguards of the bill. There has not been so much sincere controversy on the extension of the Trade Agreements Act since it was originally passed in 1934. The country is sharply divided. More and more people are becoming aware of the two sides taken where only a short time ago it was of academic interest to them. This is not a sectional controversy. It is no longer a party matter. The votes in the House testify to that.

Why is this so? The controversy rages over the tariff phase of the foreign-trade program primarily. The general principles of our policy of expanding our foreign trade with other countries of the free world and of reducing trade barriers of all sorts where practical, has the wholehearted support of all thinking Americans mindful of our worldwide obligations and responsibilities. But tariffs have always been a controversial subject in this country. H. R. 1, which incorporates practically all of the recommendations of the Randall Commission concerning tariffs is merely another extension of temporary legislation, continuing the same authority with added powers to the President to reduce tariffs through trade-agreement negotiations without adequate safeguards to prevent and to rectify injury to American industries. It does not pretend to offer a permanent basis for our tariff structure. It makes no real attempt to reconcile the basic fundamental positions taken in this controversy. It is presented to the country on the basis of take it or leave it because there is no alternative. If H. R. 1 becomes law the pendulum of public opinion may very well swing too far over to the side of the so-called protectionists and demand the whole reciprocal trade agreement program be scrapped. As more and more industries are injured and do not get relief, the pressure on Congress will increase to the point where the hoppers will be filled with individual corrective measures. As always happens under conditions of this sort, much good would be undone. The reaction might be severely damaging to our international trade.

Now is the time for caution. There is a growing need for a permanent solution to our tariff problem that can be supported by all the country. There is a middle road down which we can go that will benefit all the country without injuring some. We must find that road. We have in this country the brains, determination, willpower, and tolerance to come up with a permanent tariff policy which is consistent with our overall foreign policy and at the same time consistent with a healthy, growing, and prosperous domestic economy with its high standard of living for the people. The unparalleled growth of the economy of this country is due to a large extent to our free competitive system protected by law from monopolies and unfair trade practices. It is highly desirable and in the best interests of the country that our tariff policy be made consistent with this competitive system and not be allowed to destroy it. Likewise our tariff policy should permit foreign producers to compete in the American market but on substantially the same terms as efficient competitive American producers. There is no reason why efficient American producers must suffer to increase our imports. Under a sound tariff policy we can increase our imports and at the same time avoid injury to segments of

our economy. If we have the determination, we can resolve the basic controversy that now exists on tariffs. But we must set out to do it.

Therefore, we recommend, as a substitute for H. R. 1, that the present Trade Agreements Act be extended for a 2-year period with the following amendments:

1. An escape clause finding by the Tariff Commission to be final and the President to take the required action unless he finds that the national interest requires that no such action be taken.

2. The Tariff Commission should make its report in an escape-clause finding within 6 months.

3. The word "injury" be more clearly defined in the escape-clause procedure.

4. The peril-point findings be mandatory on the President.

5. The President be directed to appoint a bipartisan Commission in equal numbers from the Senate, House, executive branch of the Government, and the public with equal representation in each group of those favoring continued lowering of tariffs as provided for in H. R. 1 and of those opposed to these principles. This Commission is to be directed to study and evolve a tariff policy consistent with our foreign policy and a healthy prosperous economy and such policy to have the overwhelming support of the entire membership of the Commission. The Commission should have 18 months to formulate a recommended new tariff policy.

In conclusion let me urge your consideration of a plan for a new constructive approach to a highly controversial problem and in the meantime keep our present law with a few added safeguards to prevent further injury and to give more effective and faster relief on injuries that may develop. A clearer definition of injury should be helpful in the administration of the law. This recommendation is made in a sincere effort to be constructive. We believe it can and should be supported by all factions involved in the controversy.

Senator BENNETT. Thank you, Mr. Richmond. Senator Millikin, do you have any questions?

Senator MILLIKIN. Thank you very much. We appreciate your coming to be with us today and we certainly appreciate the constructive approach you have taken to our difficult problem. We are grateful.

Mr. RICHMOND. Thank you very much.

Senator MILLIKIN. Mr. Roy A. Cheney, of the Underwear Institute and the Work Glove Institute.

As you come forward, Mr. Cheney, may I observe that you represent an interesting combination, "Underwear and work gloves."

Mr. CHENEY. But it all comes under the tariff.

Senator MILLIKIN. So does everything else.

Mr. CHENEY. I am grateful to you for giving us the chance to come here and talk. I will make mine as brief as possible.

STATEMENT OF ROY A. CHENEY, PRESIDENT, UNDERWEAR INSTITUTE AND WORK GLOVE INSTITUTE

Mr. CHENEY. I would like to start off by saying this before we get too far into this argument. I have noticed some discussion as to what to do about this whole thing. Being a lawyer like you, gentlemen, that has struck me that when the Constitution was written and people

like Jefferson and the others who wrote it, they gave the ascertainment of facts and the application of law to those facts to the judicial branch of the Government. What we have been doing in H. R. 1 and in grave danger of continuing it, is give the job to the Executive that is not fitted to do it.

Whenever you transfer the powers of the judiciary to the Executive you will have a tyrannical result. I bring back to mind what happened too in the OPA as an illustration.

I am consultant to the Work Glove Institute and the president and general counsel for the Underwear Institute, of 2 Park Avenue, New York 16, N. Y., an organization of underwear and allied products manufacturers founded in 1866.

Our members are located all over the United States and represent 85 percent, approximately, of production in the United States. Our mills make all types of underwear and knitted sportswear for men, women, children, boys, girls, and infants of all types of natural and man-made fibers and mixtures thereof.

I will confine my first statement to underwear alone.

We are mostly made up of small mills employing on the average from 150 to 200 people, located mainly in small communities, and, in many instances, the main support of those communities. As a whole we employ about 70,000 people and our gross annual sales are roughly \$600 million.

Our people are becoming more and more alarmed at the attitude of some parts of the United States Government toward its citizens.

It would seem that the Federal Government, and particularly the State Department—this is the reaction of our people—is becoming organized more and more for the welfare and protection of manufacturers and workers of foreign countries with the welfare of United States workers and business taking second place.

This seems a strange thing, inasmuch as these foreigners pay no taxes and do nothing of advantage to our Government or our citizens.

Nor, from the political standpoint, do these foreigners vote in this country.

Now I would like to take up, for one moment, the Japanese situation, which has had a great part in the propaganda in favor of this reciprocal-trade treaty, legislation, which was as follows:

1. We were to throw open our markets to the Japanese to keep them from trading with the Communists. In answer to that, the Japanese, in their last election, elected a government which states that it will be its policy to welcome closer relations and to trade with Communist China and Red Russia.

2. By helping Japan, Japan was to become one of our great allies and a tremendous battle asset to us in the Pacific. On page 1 of the New York Times for March 6, last, Mr. H. Struve Hensel, Assistant Secretary of Defense of the United States, informed the Tokyo government that the United States was disappointed with Japan's slowness in protecting herself.

He said Japanese rearmament seemed to him to have been almost suspended. Mr. Hensel said Japan could not expect any increase in United States military assistance unless the Japanese themselves undertook to do more about enlarging their defense capacity.

He said also that Japan is spending only about 2½ percent of her gross national production for defense purposes, less than Turkey, Pakistan, and other countries were spending who have economic problems similar to Japan. Japan has also made a substantial reduction in its income tax—we have not.

So, in view of these matters and because anyone who recalls his reading of Italian medieval history knows—mercenaries are never satisfactory and are very expensive.

So I suggest that our State Department has made another mistake in its evaluation of Japan and the young men of the State Department are and will be very foolish to spend the capital assets of this industry and the earnings of our workers for the benefit of the Japanese, in view of what has happened. The State Department's arguments along these lines have certainly fallen through and should have no weight with our Senators or our Congress. The State Department and we all should have learned by this time that you can't bribe people to be your friends.

I would like to comment, also, on the administration's promise according to the press reports that no one will be hurt by the operation of this law if the Congress enacts it. It is strangely reminiscent of the promises which the officers of the Office of Price Administration used to make to the Congress whenever the OPA came up for a new lease of life.

They would promise—cross their hearts—to become Christians, and then, after Congress had given them a renewal, proceed to kick industry and commerce in the teeth, with renewed interest and vigor. Incidentally, I am informed that a great many of the OPA'ers were taken into the employ of the State Department when the OPA was dismantled.

I seem to recall reading in the newspapers that Mr. Eisenhower has promised that nobody will be hurt by this law.

If Mr. Eisenhower himself were available so I could sit down and talk with him whenever this thing hurt us, as it has and will, I would have no further words, but you gentlemen know just as well as I do just how near I could get to the White House on a proposition of this kind, and from my experience and your experience, you know how far we got with the OPA when it was throttling the war effort of American industry and commerce, just as the State Department is throttling us now.

I was a bit shocked by Senator Malone's remarks concerning the testimony of Mr. Dulles that Mr. Dulles admitted and said that this H. R. 1 would injure some industries and put some segments of industry out of business.

Frankly, that smacks to me of the Russian concept of the state from what Mr. Dulles said and what Mr. Stalin did when he moved the kulaks from Russia into Siberia. There is no difference in principle only in degree. In other words any segment of our country, any business or any part of a business can and must be sacrificed to be of benefit to the state as a whole. To me that is anathema.

I have here some garments made in Japan which I am submitting to you for your examination. I believe it is the quickest way to tell you what is going on.

This is a T-shirt so-called printed. The Japanese price is \$3 a dozen landed in this country. The lowest possible American price

is \$4.25. This is made by some of our mills in Utah as well as in Pennsylvania and Kentucky.

Here is a shirt Japanese price \$4.50. The American price \$7.50 to \$7.75.

Here is another shirt \$3 Japanese price, American price, \$4.75.

I won't read them all. I will leave them here if I may as exhibits and a part of the record.

Senator BENNETT. Unfortunately you can't translate those into words and the record only contains words, so I think they will serve no worth.

Mr. CHENEY. On this infant T-shirt, the Japanese price is \$2 a dozen landed in this country, the American price \$3 to \$3.50. An infant's polo shirt: The Japanese price \$2.40 a dozen, the American price \$4 to \$4.25.

I would say this roughly and briefly and generally, that the Japanese price on competitive garments is from \$1.50 to \$2.50 less than the American price.

Senator MILLIKIN. Is that per garment or some other unit?

Mr. CHENEY. Per dozen, sir.

Incidentally, the way the Japs operate, before the war—well, when they were coming up in this production like they have been since the war was over, one of our mills—and this is just an example developed for it with the Grant Co., a base zipper cloth shirt, fitted, to retail for 39 cents. When one sells to the Grant Co., one sells pretty close to the cushion; he has to do it to get the business. Within 6 weeks another chain store had received a duplicate of that shirt from the Japanese which retails over the counter for 25 cents, which of course killed the sale of the 39-cent shirt, although that was designed and developed in this country.

I was interested to read in the New York Times for March 5, on page 21, a dispatch from London quoting Mr. Charles D. Oliver, chairman and managing director of Lyle & Scott, Ltd., knitwear specialists, in an interview given in London, who said:

Since my last visit to America a year ago, foreign competition, particularly Japanese, has notably increased, especially of conditions in this country.

To describe it as a menace is not enough because to my mind, the word "menace" means simply a threat to the future. Japanese competition exists now in toys, sewing machines, bicycles, china, glass, textiles of all sorts, and in my own line, knitwear, they are making a great effort.

There is a point made by a Britisher about Japanese competition in our markets with British products. He says, Even though the Japanese quality may not be near as good as the British quality, nevertheless the price counts if the quality is anywhere near the other.

I would like to file as a part of this record a report which we have just received from the State Department of the United States following a request of the Department of Commerce for a survey of knitted-underwear costs in Japan.

Some of our mills are thinking of moving to Japan if this H. R. 1 passes, so they can take advantage of the advantages given to Japan and the Japanese people by the United States in reaching our own markets.

I will read excerpts from this report dated February 7, 1955, but if I may, I will file the whole report so there is no question of lifting figures or phrases from the context.

The Japs say their machinery is as good as any machinery in the world. They also say or the State Department reports that they work a 48-hour week, 8 hours per day, 6 days per week.

They go on to say the standard workweek is fairly well observed in the largest companies in Japan. In the smaller companies that employ outside labor the monthly wage income is probably as high as in the larger companies but the work hour may extend from 10 to 12 hours per day.

I am trying to bring out things that were not brought out in previous testimony.

It goes on to say that T-shirts and sleeveless athletic shirts predominate in the exports to the United States. These are the garments I have shown you. These make up probably 80 to 90 percent of the summer underwear used and worn in the United States, this T-shirt and the athletic shirt—yes, those cotton products comprised approximately 70 percent of all underwear and knitwear exports from Japan in 1952 and 1953.

In 1953, or rather 1952, Asia took 50 percent of all underwear and knitwear exports from Japan. Africa took 43 percent. North Central and South America, 6 percent in 1952. Exports to the United States were very small. In 1953 exports to Asia again accounted for 50 percent of the total but exports to Africa dropped to 22 percent.

I don't know why, but probably because of some sterling area monkey business by the British Empire in derogation of the reciprocal trade agreements I am guessing at that but it seems natural to me. The Americans took 27 percent. Exports to the United States in 1953 were 9 percent. It goes on to say exports to the United States are almost exclusively of cotton products and are increasing. Speaking about quality, he goes on to say that because the United States market is so coveted by the Japanese that their inspection standards for the American market are very high.

Also it goes on to say in another part of this document that they are beginning to form cartels again in the underwear and knitted wear industry, which means, of course, that they can control arbitrarily the production and sale of their export of garments to this country in a manner which we cannot do because of our antitrust laws.

We are handicapped there.

I have here a table showing the increase in exports to the United States from Japan.

Here it is.

This is knitted underwear. In 1936-38, I found the wrong table. I almost gave you Japanese production. Here it is.

In 1952 the Japanese exported to the United States 36,742 dozens of knitted underwear and knitwear. In 1953 the Japanese exported to the United States 252,184 dozens of knitted underwear and knitwear.

In 1954 the Japanese exported, the first half of 1954, to the United States 341,514 dozens of knitted underwear and knitwear. This shows you the increase.

Senator BENNETT. The statement will be accepted for the record.

(The document referred to is as follows:)

[Priority: Air pouch; Security Classification: Unclassified]

FOREIGN SERVICE DESPATCH No. 248

FEBRUARY 7, 1955.

From: AMCONGEN, Kobe, Japan.

To: The Department of State, Washington.

Ref.: Letter of Dec. 8, 1954, from Dept. of Commerce (Textiles and Clothing Division) to Embassy, Tokyo, Subject: Survey of Knitted Underwear and Costs in Japan.

The reference request was forwarded by Tokyo to the consulate general because the Japanese textile industry is concentrated in the Kobe-Osaka area.

Information about the manufacture of knitted goods in Japan is difficult to obtain. This report includes the best information available. It has, however, been gathered from a large number of varied sources and is not as cohesive as would be desired. On no aspect of the industry other than exports is statistical data regularly maintained. While discretion has been used in selecting and reporting statistical data, the data, for the most part, constitute nothing better than a set of informed guesses. The absence of statistical data is due to the large number of small home manufacturers whose production, equipment, and operations are not reported because the firms are not affiliated with associations or other trade bodies.

A further caution is appropriate with respect to statistics. In the Japanese language, "underwear" is rendered by the word "hadagi." This word means, literally, "skin wear," or that which is worn next to the skin. For this reason, summer sportswear, both of the T-shirt and polo shirt variety, and nightwear are frequently referred to as underwear in trade circles.

ORGANIZATION OF THE INDUSTRY

Enclosure No. 1 shows for Osaka Prefecture alone the number and size of plants of member companies of the knitted goods adjustment association. The data are for 1951 and some companies are not members of the association. While the table is not current, is not complete and is not on a national basis, it probably reflects a fairly representative organizational pattern for the Japanese knitted goods industry.

As may be observed, approximately half of the reported companies have less than 30 machines. Approximately one-fourth are engaged in the manufacture of knitted gloves and socks only.

Related information in the same enclosure shows that in 1952, almost half of the firms in the Osaka Prefecture Meriyasu Cooperative Association were sole proprietorships. ("Meriyasu" is the Japanese word for "knitted goods." For convenience of reference, the word will be used from time to time hereafter in this report in referring to companies and associations.)

All of the firms in the knitted goods industry are of medium or small size. The Nippon Meriyasu Co., Ltd., of Osaka, the second or third largest company in Japan in this field and slightly smaller than the largest, has 300 circular knitting machines and 350 sewing machines. The knitting machines are of various types for production of different weights and types of knitted goods. When working at maximum capacity, only 100 knitting machines would be in use. The plant employs 250 workers (not including administrative staff) at maximum capacity. Reflecting excess production capacity in the industry is the fact that for several months this company has had in use only 60 knitting machines and now employs only 200 workers.

The Osaka Chamber of Commerce and Industry, in a report prepared in 1952, cited reasons for the existence and desirability of small manufacturing units. It was noted that orders, especially export orders, are for relatively small quantities of a wide range of products extremely varied as to type and design. It was said that for Japanese firms this varied demand can best be met by the flexibility which small manufacturing units permit. The optimum unit was thought to be a plant employing from 30 to 50 workers.

Trade sources usually divide knitted goods companies into two groups: (1) Those that handle a complete production process (from knitting the primary material to sewing and finishing of products), and (2) those that perform only one part, or parts, of the production process (knitting only, sewing, buttonhole

working, printing, dyeing, or other). The former are called full-line companies, and the latter are called part-line companies. Part-line companies are said to account for 50 percent of Japan's production of knitted goods. While home industries fall almost entirely in the latter group, it is not correct to say that all part-line companies are home industries.

Part-line companies usually receive orders through wholesalers or through larger knitted goods manufacturers. The latter control the flow of materials from one company to another as the various tasks in the production process are performed, and they market the finished products. While, as small companies, home industries may frequently seek cash advances against orders, required raw materials are purchased and supplied by them rather than by the firms placing the orders.

It is estimated that in terms of quantities (not value) of finished products, home industries account for 10 to 15 percent of total production. Among knitters, they average 3 to 5 machines. Available information suggests, however, that home industries concentrate heavily on woolen materials. This is because the horizontal knitting machine can be operated manually as well as with electric power and is, therefore, well adapted to small home industries.

PRODUCTION

Capacity

No statistics are compiled on the productive capacity of the Japanese knitted goods industry. It does seem clear, however, that both production and production capacity in the postwar period have exceeded those of prewar years.

The secretary general of the Osaka Meriyasu Cooperative Association renders the opinion that the number of machines employed in Japan for the manufacture of knitted goods had by 1950 doubled the number in the top postwar year. This large increase in capacity resulted from heavy demand generated by wartime shortages and widespread postwar adoption by Japanese women of western style dress with which they wear knitted undergarments. Stimulated by this demand the knitted goods industry enjoyed considerable prosperity which encouraged established firms to expand and new firms to enter the field. It is widely agreed in Japan that production capacity exceeds actual current demands by perhaps 20 percent.

Enclosure No. 2 is a table showing, for 1952, the number of machines in firms then members of all knitted goods adjustment associations. The table shows the member firms, numbering 2,182 had 31,928 circular knitting machines, 24,173 horizontal knitting machines and 12,419 sewing machines. These figures do not encompass machines used solely for the manufacture of gloves and socks as companies making these products have separate associations. The figures do not profess to encompass the entire industry since many firms do not affiliate with associations. Also, according to an association source, the table reflects probably not more than 60 percent of Japan's horizontal knitting machines. This equipment is well adapted to home industries which are less likely to be members of the associations. However, these machines, it was said, are best employed on wool knitted goods and it was estimated that in terms of quantity, perhaps 50 percent of the production of home industries is in woolen products.

The figures in enclosure No. 2 do not cover vertical knitting machines which are estimated to number 1,500 in Japan. It is reported that these are used almost exclusively for high-quality silk and rayon goods and companies having such equipment have formed a separate association.

From the meager information available it is not possible to determine what part of the production capacity is devoted at any given time to the manufacture of knitted underwear.

The Osaka Meriyasu Cooperative Association estimates that 80 percent of the production of knitted underwear (and of all knitted goods, except wool) is from the Kinki region (i. e., the area surrounding Osaka and embracing Osaka, Hyogo, Wakayama, Nara, Kyoto, Shiga, and Mie Prefectures). About 50 percent of all companies are thought to lie in this region.

Production levels

As previously indicated, no statistics are available on current production of knitted goods in Japan. Enclosure No. 3 is a table which shows information for 1952 compiled by the Osaka Chamber of Commerce and Industry. This shows that national production in a selected month of that year (September) totaled 2,386,000 dozen articles of all kinds, of which 489,030 dozen (21 percent) were produced in Osaka Prefecture alone. It also shows that production of

underwear totaled 968,000 dozen for Japan, of which 425,028 dozen (44 percent) were produced in Osaka Prefecture. An industry source estimates that 1954 underwear production was about 20 percent below that of 1952. These figures should be regarded with caution. Industry sources agree that they could be little more than informed guesses.

No information is available regarding production of individual types of underwear garments, nor would any source make an estimate in the absence of a statistical basis. As to materials, it may be useful to note the rough estimate of the president of the Osaka Meriyasu Cooperative Association that 60 percent of underwear produced is of cotton, 20 percent of rayon, and synthetic fibers, and 20 percent of wool.

Enclosure No. 4 is a table compiled by the Osaka Chamber of Commerce and Industry showing quantities of various fabrics consumed in May 1952 by companies producing finished knitted products. This table shows that 90.1 percent of the fabrics so consumed (for all types of knitted products) were cotton, about 6 percent were rayon, and less than one-half of 1 percent were wool. From the two sets of figures it is reasonable to conclude that cotton products predominate.

Useful perhaps is the estimate of an Osaka association source that with respect to men's knitted underwear, 70 percent of production is in shirts, and 30 percent in drawers. It also seems to be generally agreed that T-shirts and sleeveless athletic shirts predominate, but there is no basis for even estimating what part of total underwear production these two items comprise. It was also estimated, again without statistical evidence or support, that light-weight underwear production far exceeds that of winter underwear of long sleeves and long legs.

All sources are extremely reluctant to undertake estimates or even guesses with respect to production costs. The best figure that could be obtained was a rough estimate by the president of the Osaka Meriyasu Cooperative Association with respect to T-shirts, as follows:

	<i>Percent of production cost</i>
Raw materials-----	63
Labor-----	27
Overhead ¹ -----	10

¹ All factors, including profit, other than raw material and labor.

Productivity

Enclosure No. 5 is a table compiled by the Osaka Chamber of Commerce and Industry showing for 1952 estimated productivity per plant and per worker according to the size of plants. The figures are divided to reflect productivity in the processing of primary knitted material and in the making of finished products. It is most interesting to observe that productivity per worker is generally higher in plants with a small number of workers.

EQUIPMENT

Enclosure No. 2, reflecting the best available data regarding the number of machines in the Japanese knitted-goods industry, has previously been cited.

According to the president of the Osaka Meriyasu Cooperative Association, knitting machines employed in Japan are almost exclusively of Japanese manufacture. An official of the president's company, during a tour of the plant on February 1, stated that while installed machines are relatively old, machines of later manufacture offer little advantage in terms of efficiency. He also stated that with the exception of parts which can be and are easily replaced, the life of knitting machines is virtually unlimited. Therefore, from the standpoint of equipment, but excluding reference to production processes and plant layouts (which are crude and antiquated), the industry's equipment may be considered satisfactorily modern.

WAGES

Available information on wages is, on the whole, unsatisfactory.

A notable factor is that the labor portion of the cost of production can hardly be calculated with respect to home industries. In some of these all labor is self-employed; in others there is some outside labor. Trade sources agree that in neither case is the standard 48-hour workweek (8 hours per day, 6 days per week)

observed. The standard workweek is fairly well observed in the larger companies. In smaller companies that employ outside labor, monthly wage income is probably as high as in larger companies, but work hours may extend to 10 or 12 hours per day. While calculation of labor costs for home-industry production is virtually impossible, it may be noted that little if any of such production finds its way to the United States or other export markets.

Wage levels in larger companies appear to be at a minimum ¥6,500¹ per month and as high as ¥30,000 per month. So far as can be determined wages are rather loosely, if at all, related to specific tasks. The practice of the Nippin Meriyasu Co. of Osaka is probably representative. The highest paid employees in this firm are mechanics who set, adjust, and repair knitting and sewing machines. Wages for such workers were said to range from ¥20,000 to ¥30,000 per month depending on length of service and individual efficiency. Cutters, of which two were working while 60 sewing machines were operating, average from ¥15,000 to ¥20,000 per month. Ordinary operatives (knitting-machine operators) earn from ¥6,500 to ¥25,000 per month depending on skill, efficiency, and length of service. These are paid a basic wage to which is added an additional sum based on individual output. The company stated that this factor is so variable that it could not attempt to furnish any useful figure as to what it might total. However, it seems a fair assumption that two-thirds of the operatives receive total cash wages of between ¥7,000 and ¥9,000 per month and one-third receive higher total cash wages ranging to as much as ¥25,000 or ¥30,000 per month.

In other than home industries, to the cash wage must be added a factor of about 15 percent for fringe benefits, including unemployment and health insurance, annual bonuses, transportation to and from work, food furnished on the job, two company outings per year, and in some cases expenditures for recreation facilities and equipment. The dormitory system, in which quarters are furnished to operatives, generally does not apply in the knitted-goods industry.

EXPORTS

Industry sources state that while production of knitted goods has increased in the postwar period, exports total probably no more than 25 percent of those in the prewar period. In the absence of export statistics in Osaka for this commodity, no other comparison of postwar and prewar exports of knitted goods can be offered. Comparison of exports shown in enclosure No. 6 and production shown in enclosure No. 3 reveals that 9.2 percent of underwear produced in 1952 was exported.

Export statistics of the Customs Division, Ministry of Finance, group knitted underwear and knitted nightwear in a single category. Enclosure No. 6 shows annual totals of such exports by geographic areas and by types of materials for 1952 and 1953. Exports of cotton underwear and nightwear for the first half of 1954 are also shown. (Statistics for 1954 exports of other types of underwear and nightwear are not now available in Osaka; according to the Osaka Customs House, they may be available in unpublished form in Tokyo. Statistics for cotton underwear and nightwear exports in the last half of 1954 will not be available in Osaka until about March 1.)

More detailed export statistics, showing types of garments, are not available. When asked to estimate what share of total exports of the indicated category are accounted for by underwear and what share by nightwear, industry sources could offer little more than that most are underwear. They add that among underwear items, T-shirts and sleeveless athletic shirts predominate. This is especially true of exports to the United States.

The following summary conclusions can be drawn from information in enclosure No. 6:

(1) In 1952 and 1953, quantitywise, cotton products comprised approximately 70 percent of all underwear and nightwear exports. Rayon products accounted for about 30 percent. Only minute quantities of silk, wool, and other fiber products appear.

(2) In 1952, Asia took 50 percent of all underwear and nightwear exports, Africa 43 percent, and North, Central, and South America 6 percent. Exports to the United States were very small. In 1953, exports to Asia again accounted for 50 percent of the total but exports to Africa dropped to 22 percent while

¹ ¥360 equals US\$1.

the Americas took 27 percent. Exports to the United States in 1953 were 9 percent of the total.

(3) Exports to the United States are almost exclusively of cotton products and are increasing.

While detailed statistics are not available, trade sources estimate that exports to the United States are predominantly of T-shirt and sleeveless athletic shirts. Between the two, T-shirt exports are greater. The 2 items together may account for 60 to 70 percent of knitted goods exports to the United States.

As in the case of fabric shirts (see Kobe despatch No. 121 of October 26, 1954), the New York firm of Haddad & Sons occupies a predominant position in American imports of Japanese cotton knitted products. It appears that this firm's imports of knitted T-shirt-type sport shirts exceeded its imports of underwear T-shirts. The Nippon Meriyasu Co., which is one of the larger suppliers of Haddad & Sons (that business is a major item in the company's sales) estimates that Haddad & Sons alone may take as much as 60 percent of American imports of Japanese knitted cotton products.

Officials of the Osaka Meriyasu Cooperative Association stress the careful inspections procedures which knitted exports must face. They commented that while MITI has fixed export inspection standards, they are the same for all destinations. The industry has voluntarily imposed its own standards by destinations. Because the United States market is so coveted, inspections standards for that market are very high.

Trade sources agree that the low-quality products of small home industries are mostly consumed domestically since they generally fail to meet export standards. They almost always fail to meet quality and export standards for the United States market. This would be significant in attempts of Government agencies in Washington to appraise production costs for United States imports from Japan.

GENERAL

Leaders in Japan's knitted-goods industry are extremely anxious to solve the problem of current excess production capacity. To this end they are engaged in efforts to have MITI invoke, for the industry, article 29 of the Medium and Small Enterprises Stabilization Law. This provision of law authorizes MITI-designated industries to form cartels to control production on an industrywide basis. Establishment of production controls would, however, be only the first step. There would remain the problem of gaining compliance. Difficulties in this regard would include, (1) getting small home industries to join the adjustment associations through which control would be exercised, and (2) enforcing such controls as may be established. The president of the Osaka Meriyasu Cooperative Associations believes that production controls may be in effect by July 1, 1955.

Like all small companies in Japan, those in the knitted-goods industry have suffered in the postwar period from extreme shortages of operating capital and have, therefore, been heavily dependent upon loans to stay in business. Small and financially weak companies have been the principal victims of deflationary financial policies pursued by the Government of Japan since October 1953. While the adverse effects of this policy are generally thought to have already run their course, small companies will remain vulnerable.

The principal impediment to expansion of production and of exports will, for several years, remain that of limited export markets. An additional possibility is shrinking domestic demand under the impact of the Government's stringent monetary policies, if these are continued.

In this report reference has been made from time to time to a report on the knitted-goods industry compiled by the Osaka Chamber of Commerce and Industry. Such statistical data from this report as seemed to be pertinent has been included in this despatch. The chamber report contains other statistical information and textual discussion which has not been reported. The report is in Japanese and consist of 111 pages which might comprise 30 to 50 pages typewritten in English.

Staff limitations preclude translation of the entire report by the consulate general. The Textiles and Clothing Division of the Department of Commerce is, however, informed of the existence of the report in the event it should desire for translation in Washington, the single copy available to this office. The title of the report is "Present Conditions and Problems of Medium and Small Size Export Enterprises: Knitted Goods." It was published in January 1953

and pertains principally, but not exclusively, to the industry in Osaka Prefecture. In order that readers may better judge whether the report is desired for translation, the table of contents of the report is reproduced as enclosure No. 7.

RALPH J. BLAKE,
American Consul General,

ENCLOSURES

SOURCES

1. Mr. K. Nishimura, Secretary General, Osaka Meriyasu Cooperative Association, Osaka.
2. Mr. T. Tanaka, Japan Knitted Goods Inspection Foundation, Osaka.
3. Mr. S. Okazaki, president, Osaka Meriyasu Cooperative Association, and president, Nippon Meriyasu Company, Osaka.
4. Mr. C. Yamada, director, Nippon Meriyasu Company, Osaka.
5. Osaka Chamber of Commerce and Industry Report (cited at close of despatch).
6. Mr. S. Mabuchi, Chief, Statistical Section, Osaka Customs House.

ENCLOSURE No. 1.—Table: Number of plants of members of Osaka Prefecture Meriyasu Adjustment Association, by size and types, Osaka Prefecture, Dec. 31, 1951

Number of machines	Knitters only	Sewers only	Combined knitting and sewing	Woolen goods only	Knit gloves only	Socks only	Total
Above 100.....	16	15	32	5	2	2	40
50 to 100.....	33	51	38	20	6	8	11
40 to 50.....	13	51	4	10	2	6	82
30 to 40.....	45	8	5	18	3	12	86
20 to 30.....	30	29	6	38	8	14	119
10 to 21.....	68	60	Nil	76	16	56	276
Below 10.....	54	6	Nil	15	6	63	144
Total.....	259	220	85	182	43	161	865

Subtable: Member companies, by number and type, Osaka Meriyasu Cooperative Association, 1952

Corporations.....	287
Limited corporations.....	57
Partnerships.....	28
Limited partnerships.....	6
Sole proprietorships.....	258
Total.....	685

Source: Osaka Chamber of Commerce and Industry.

ENCLOSURE No. 2.—Table: Members of adjustment associations and their equipment, Japanese Knitted Goods Industry (excluding vertically operated knitting machines¹ and manufacturers making only socks and gloves)

District	Number of member firms in adjustment associations	Number of circular machines	Number of horizontal machines ²	Number of sewing machines	Total machines
Osaka.....	514	10,105	2,187	11,121	23,423
Tokyo.....	728	5,275	7,209	5,798	18,342
Kanagawa.....	8	472	74	502	1,048
Aichi.....	448	4,213	1,749	4,746	10,708
Gifu.....	30	128	384	133	645
Ishikawa.....	4	110	635	635	825
Nara.....	144	3,595	nil	950	4,545
Wakayama.....	306	8,040	111	843	8,994
Total.....	2,182	31,938	24,173	12,419	68,530

¹ Most but not all firms engaged in the manufacture of knitted goods are members of adjustment associations. This table, therefore, should not be considered as encompassing the entire industry. It probably covers most of it. Vertical knitting machines are excluded because they are used principally for the manufacture of high quality silk and rayon knitted goods, and companies making such goods have formed a separate association as have those companies engaged only in the manufacture of knitted gloves and socks. It is estimated that there exist in Japan about 1,500 vertical knitting machines but it is doubtful that all are working.

² It is estimated that these figures cover only about 60 percent of horizontal knitting machines. This type of equipment is well adapted to small home industries many of which are not members of associations and whose equipment is not reported. However, trade sources state that such equipment is used principally for wool knitting and that perhaps 70 percent of the production of such small home plants is in woolen products.

NOTE.—(1) This information is as registered with the Japan Federation of Knitted Goods Adjustment Associations on Apr. 20, 1954. (2) The following information is furnished for Osaka prefecture adjustment associations only: Bleaching capacity, 6,613,760 pounds per month, rolling machines, 170, carding machines, 150.

Source: Osaka Knitted Goods Processing Industry Cooperative Association.

ENCLOSURE No. 3.—Table: Postwar monthly knitted goods production compared with prewar, Japan

	Monthly average 1936-38			Month of September 1952		
	National	Osaka	Osaka	National	Osaka	Osaka
			<i>Percent</i>			<i>Percent</i>
Underwear ¹	704,620 dozen... ¥3,704,800.....	490,610 dozen... ¥1,957,500.....	69.6 32.8	968,000 dozen... (?)	425,028 dozen... (?)	43.9 (?)
Socks and stockings...	1,085,970 dozen... ¥2,033,920.....	157,028 dozen... ¥252,670.....	14.5 12.4	763,000 dozen... (?)	39,693 dozen... (?)	5.2 (?)
Gloves.....	467,874 dozen... ¥761,487.....	48,659 dozen... ¥78,781.....	10.4 10.3	409,000 dozen... (?)	14,578 dozen... (?)	3.6 (?)
Others.....	(?)..... ¥1,446,070.....	(?)..... ¥528,015.....	(?) 36.5	46,000 dozen... (?)	359 dozen... (?)	.8 (?)

¹ Probably includes nightwear.

² Not available.

Source: Osaka Chamber of Commerce and Industry.

ENCLOSURE No. 4.—*Table: Quantities of knitted fabrics consumed by fabricators (sewers of finished apparel), by types*

	Pounds	Percent		Pounds	Percent
National (month of May 1952):			Osaka Prefecture (average monthly 1950):		
Cotton.....	2,093,000	90.1	Cotton.....	597,472	87.7
Silk.....	1,000		Rayon.....	18,080	2.7
Rayon.....	91,000	3.9	Rayon staple.....	23,920	3.5
Rayon staple.....	53,000	2.3	Silk.....	436	.1
Synthetic fibers.....	7,000	.3	Spun silk.....	2,023	.3
Wool.....	12,000	.5	Worsted yarn.....	17,934	2.6
Others.....	65,000	2.8	Woolen yarn.....	21,242	3.1
Total.....	2,322,000	100.0	Total.....	681,107	100.0

Source: Osaka Chamber of Commerce and Industry.

ENCLOSURE No. 5.—*Table: Productivity estimates, Osaka prefecture knitted goods industry, 1952*

Size of plant by number of workers	Average monthly production per plant	Average number of workers per plant	Average monthly production per worker
Knitters:	<i>Pounds</i>		<i>Pounds</i>
Above 20.....	14,885.09	22.58	661.38
10 to 19.....	12,797.6	13.0	984.62
5 to 9.....	6,889.1	7.3	943.29
Below 4.....	706.8	2.7	262.07
Fabricators (sewing plants):	<i>Dozen</i>		<i>Dozen</i>
Above 100.....	4,491	100.0	49.1
70 to 99.....	5,100	73.0	69.9
40 to 69.....	4,910	50.3	97.6
20 to 39.....	3,000	30.0	100.0
10 to 19.....	1,000	14.3	68.9
Below 9.....	900	7.5	120.0

Source: Osaka Chamber of Commerce and Industry.

ENCLOSURE No. 6.—Table: Japanese exports, knitted underwear and nightwear, by fiber types, indicated periods (in dozens and thousands of yen)

	1952		1953		1st half 1954	
	Dozen	1,000 yen	Dozen	1,000 yen	Dozen	1,000 yen
Cotton:						
Asia.....	426, 771	303, 014	666, 964	623, 548	280, 426	243, 077
Europe.....	2, 306	2, 869	1	1	2, 205	—
Americas.....	36, 742	30, 170	352, 184	194, 643	341, 514	180, 698
(United States of America).....	(8, 300)	(4, 483)	(148, 645)	(82, 125)	(80, 100)	(48, 136)
(Mexico).....	—	—	(58, 400)	(27, 718)	(209, 165)	(101, 004)
Africa.....	254, 803	276, 482	119, 726	111, 345	103, 630	91, 308
Oceania.....	937	1, 960	5, 172	4, 442	769	744
Total.....	721, 559	614, 495	1, 144, 047	933, 979	728, 544	515, 827
Pure and blended silk:						
Asia.....	53	140	6	12	(1)	(1)
Europe.....	—	—	—	—	(1)	(1)
Americas.....	512	563	17	387	(1)	(1)
(United States of America).....	(12)	(288)	(16)	(386)	(1)	(1)
Africa.....	3, 300	2, 729	29	637	(1)	(1)
Oceania.....	—	—	—	—	(1)	(1)
Total.....	3, 865	3, 432	52	1, 036	(1)	(1)
Pure and blended rayon and synthetic fibers						
Asia.....	109, 366	108, 197	119, 049	114, 146	(1)	(1)
Europe.....	394	214	1, 785	2, 186	(1)	(1)
Americas.....	32, 298	21, 857	69, 913	43, 750	(1)	(1)
(United States of America).....	(40)	(155)	(365)	(1, 809)	(1)	(1)
Africa.....	204, 744	214, 532	218, 036	212, 020	(1)	(1)
Oceania.....	702	817	725	2, 195	(1)	(1)
Total.....	347, 504	345, 617	409, 508	374, 297	(1)	(1)
Pure and blended wool:						
Asia.....	93	870	320	2, 641	(1)	(1)
Europe.....	—	—	—	—	(1)	(1)
Americas.....	—	—	1, 450	2, 403	(1)	(1)
(United States of America).....	—	—	(1, 200)	(1, 910)	(1)	(1)
Africa.....	—	—	—	—	(1)	(1)
Oceania.....	—	—	—	—	(1)	(1)
Total.....	93	870	1, 770	5, 044	(1)	(1)
Not elsewhere specified:						
Asia.....	1, 455	2, 223	1, 755	2, 118	(1)	(1)
Europe.....	—	—	—	—	(1)	(1)
Americas.....	—	—	4	70	(1)	(1)
(United States of America).....	—	—	(1)	(24)	(1)	(1)
Africa.....	1, 080	1, 125	600	276	(1)	(1)
Oceania.....	—	—	—	—	(1)	(1)
Total.....	2, 535	3, 348	2, 359	2, 464	(1)	(1)
All types:						
Asia.....	537, 738	414, 444	788, 094	742, 465	(1)	(1)
Europe.....	2, 700	3, 113	1, 786	2, 187	(1)	(1)
Americas.....	69, 552	52, 590	423, 568	241, 253	(1)	(1)
(United States of America).....	(8, 352)	(4, 926)	(150, 227)	(86, 254)	(1)	(1)
Africa.....	463, 927	494, 868	338, 391	324, 278	(1)	(1)
Oceania.....	1, 639	2, 777	5, 897	6, 637	(1)	(1)
Total.....	1, 075, 556	967, 792	1, 557, 736	1, 316, 820	(1)	(1)

1 Not presently available in Osaka.

Source: Customs Division, Ministry of Finance.

ENCLOSURE No. 7

TITLE OF REPORT: PRESENT CONDITION AND PROBLEMS OF MEDIUM AND SMALL-SIZE EXPORT ENTERPRISES: KNITTED GOODS.

I. General discussion:

1. Outline of industry
2. Characteristic of Osaka knitted goods industry
3. Kinds and characteristics of products
4. Principal manufacturing districts in Osaka

II. Present conditions:

1. Production:

- (a) General discussion of manufacturing units and production
 - (1) Number of companies
 - (2) Number of plants
 - (3) Number of laborers
 - (4) Discussion, optimum size of manufacturing units
 - (5) Production statistics
 - (6) Production capacity

2. Sales, with particular reference to exports:

- (a) Exports
- (b) Markets

III. Problems

IV. Conclusions

Source: Prepared and published by statistical and research department, Osaka Chamber of Commerce and Industry.

Mr. CHENEY. The Japanese average earnings per worker are about 11 cents per hour. Those in the United States in our industry run from \$1.25 to \$1.50 an hour. I would like to read only one more thing before I quit and it is a rather delicate thing but I think it should come out.

Mr. Oliver described the Japanese articles as good, but not as good as their British counterparts but he said arguments as to the difference in quality carried little weight with the average buyer in the United States when the latter saw the difference on the price tag.

So, you can see the lion and the jackal are already fighting over our carcass in this country.

On January 26, I read Mr. C. P. Trussell's Washington dispatch to the New York Times headed "Senate Unit Cites Korea War Lesson—Applying it in Formosa Urged as Inquiry Hints Subversion in Curbs on Five Chiefs."

The story went on to state that the Senate Subcommittee on International Security reported that five principal commanders in land, sea, and air operations in Korea had sworn that their plans for decisive drives were ruled out from Washington.

These commanders expressed the belief that "possible subversion" has had a hand, among other things, in the soft pedaling of military decision to knock out the enemy and chase him out of Korea. The Senate subcommittee report, went on to say:

Although, as the report stated, the former commanders were unable to make specific charges of subversion, the subcommittee seemed to feel that they had "supplied some clues to subversion in Government departments."

It expressed hope that the investigation would continue to a point to "encompass the source from which their (the former commanders) orders were received." As possible sources the report mentioned the Pentagon, the State Department, spokesmen for the allies and "certain ambassadors." These Senators signed the report: Mr. Jenner, the retiring chairman; Arthur V. Watkins, of Utah; Herman Welker, of Idaho; and John Marshall Butler, of Maryland, Republicans; and James O. Eastland, of Mississippi; Olin D. Johnston, of South Carolina; and John L. McClellan, of Arkansas, Democrats.

I also recalled that in the testimony of our friend—

Senator MILLIKIN. What has that to do with subversion—I have gotten thrown off the track somewhere.

Mr. CHENEY. I am coming to that. Whittaker Chambers in his testimony which convicted Alger Hiss stated that only one Communist outfit had been discovered and another still big one still existed. However, I am not charging subversion or anything. I am coming to the point.

In the first place, if I were a subversive, I would not attack or endanger our supplies of airplanes, guns, ammunition, medicine, or food.

If this were happening it would be immediately apparent to the public and to Congress. But an attack on that great element of necessity in fighting a war, clothing, might not be understood by our public or our Congress quite as rapidly. Our troops have been well clothed since Valley Forge and since General Lee's men marched away from Appomattox.

We accept clothing as usual—but—if you will stop and think a moment, you will realize that no matter what guns, ammunition, and leadership you give an army, it can't fight without clothing.

As an historic example: After we had suffered our reverses in the Battle of the Bulge, of World War II—General Eisenhower and his people called upon our industry for the delivery of 67 million undershirts in 3 months.

Luckily we had a sound industry, but we had to throw every underwear mill in the United States into the breach.

And we did it, even though some people in the OPA refused to allow prices to some mills which would have returned their costs, but to their eternal credit, those mills turned out the goods at a real loss to themselves.

Now let's consider the things that have occurred.

In the first place, Mr. Eisenhower, sparked by someone, has issued orders that a poster be placed in every factory working on Government contracts.

These posters state that the factory management have agreed to hire anyone who applies regardless of race or color. In addition the President has caused to be issued leaflets telling people how to prosecute violators. Now of course this is not the time and place to discuss segregation or the right of people to jobs. I am only calling your attention to results.

I have heard that some mills located in the South have called in their employees, shown them the posters and asked if the employees objected to the posting of them.

In every instance the employees have stated they would walk out if the placards were put up. Now, mark you, this is not mill management speaking, but the working people themselves.

The greater part of the underwear industry is in the South, the greatest suppliers and the greatest potential suppliers of service underwear are in the South.

So probably no more Government contracts will be taken in the South—not because of mill management but because of the working people themselves.

This means that the few northern mills left will get the Government business. They are the higher cost mills and will be put out of business first and quickest by this Japanese competition.

Another ruling has gone out if foreign bidders bid no lower than 6 percent for underwear made for the Army the foreigner gets the business.

I want to show you samples of Army issue underwear. This is more of the type made by the mills in Utah.

Senator MILLIKIN. I am still waiting to hear about the subversion.

Mr. CHENEY. I am coming to it, sir. That underwear cannot be made on the machines usually used for civilian underwear. The yarn requires special treatment. It is a special type of knitting machine, 10-11 cut. The cloth needs to have special handling.

What I am getting at is this: With the foreigners' right to take contracts for that underwear, if his bid is not more than 6 percent below our own bids and you have seen Japanese prices, you know who is going to get that business when they go after it.

Next, you have seen these posters and whereas that little folder, not only must those posters be put in the mills but the little folder which tells the people how they can prosecute the manufacturer if the manufacturer does not hire them properly.

All of this adds up to this situation that the mills best equipped and with the most machinery, ready to make Army and Navy and service underwear, they will not bid on Government contracts. They will get rid of their machinery, because there will be no opportunity for them to get business for their machinery from the Government in the future.

That will mean, in my opinion, that when the clutch comes, it will be very hard for us in case of war to find production of underwear suitable for Army purposes.

I am not saying that there is subversion there, but that is what it adds up to, all of these things added together.

Senator MILLIKIN. It may be just stupidity. I have considerable sympathy with these things you have said. The things you are referring to may represent stupidity, but I have yet to see any evidence that it represents subversion.

Mr. CHENEY. Let's forget that angle.

Senator MILLIKIN. I can't do anything about stupidity. I may be guilty of it myself, but I could do something about subversion.

Mr. CHENEY. I may be stupid in saying so, if so I withdraw it. But that is the net result of what has happened.

I would like to make these recommendations: That provision be made if H. R. 1 becomes law to provide severance pay for (1) underwear mill employees; (2) yarn mill employees; (3) knitting machine factory employees; (4) sewing machine factory employees; and (5) all other working people severed from their jobs because of H. R. 1, because this job loss will not be due to their fault or that of their employees, but to action by the Federal Government, and, therefore, the Federal Government should pay for that loss.

To reimburse, over a term of years, the cottongrower and the wool-grower for their loss of markets, due to this Federal action.

To purchase (1) the machinery rendered idle and useless in this country by this bill, and (2) the buildings made useless by it.

I believe this is quite important. If the law is passed, that the operation of the law be taken out of the hands of the State Department and given to the Department of Commerce.

The British who have had long experience in diplomacy and in trade have put the operation of this reciprocal trade treaty affair in the hands of their board of commerce, corresponding roughly to our Department of Commerce.

I believe that our commercial attachés should be removed from the jurisdiction of the State Department and returned to the Department of Commerce.

That the United States Tariff Commission finally determine in all events what tariffs should be changed and whether they shall be increased or decreased.

The need for this last proviso is self-evident. While the bill says that the President shall do this and do that, we know full well that the doing or undoing will be left to clerks in the State Department who are and will remain anonymous. This method, of course, is a denial of representative government and of responsible government. The Tariff Commission on the other hand, must operate in the open, and can be held accountable for their mistakes and misdeeds.

Thank you very much gentlemen.

Senator BENNETT. Questions, Senator Millikin?

Senator MILLIKIN. No questions.

Senator BENNETT. I think we would be wise to return these to you because we can only put words into the record. We have been interested in seeing them but that is the only use we can make of them.

Mr. CHENEY. There are no questions?

Senator BENNETT. No questions.

Senator MILLIKIN. No questions.

Senator BENNETT. We have a submitted statement from the Glove Work Institute. Do you wish that placed in the record?

Senator MILLIKIN. Yes, sir.

Senator BENNETT. It will be placed in the record.

(The document referred to is as follows:)

BRIEF PRESENTED BY THE WORK GLOVE INSTITUTE, INC.

My name is John T. Daly, Jr., assistant to Mr. Roy A. Cheney, consultant for the Work Glove Institute, Inc., a trade association whose 52 members constitute approximately 90 percent of the work-glove manufacturers in the United States, as well as 90 percent of the production. Most of our members, with the exception of 4 or 5 of the largest, are fairly small in size, and located for the most part in small towns. Their production consists chiefly of gloves and mittens made from cotton flannel (canvas), jewelry, and a combination of leather and fabric.

To the working men and women in the many industries which require manual effort, work gloves afford protection to their hands, and assist them as well in the routine performance of their work. The demand for work gloves by the armed services during World War II was considerable. Our industry kept pace with this demand, shipping to the military over 2 million dozen pairs of work gloves. The industry continues to fulfill the peacetime needs of the various military branches.

The work-glove industry is located chiefly in the Midwest. Other plants are scattered throughout the United States. Our industry is deeply concerned about the trade bill now before you, as it shall always be concerned about any law that may affect its well-being.

We feel very strongly that the proposals embodied in H. R. 1 are weak, unfair, congressionally uncontrollable, and conceivably the means of effecting irreparable damage to many American workers and American industries. We just cannot understand this great desire on the part of the administration to weaken a tariff structure which has afforded to American industries the protection they need.

With a law such as H. R. 1 on the books, the well-being of large groups of American workers will be dependent upon whatever feelings may be expressed

by one man—the President of the United States. He will only have to say to Congress that his decision on a tariff reduction is in the “national interest,” notwithstanding any recommendations made by the Tariff Commission in behalf of an aggrieved industry.

It appears to us that the administration, through H. R. 1, is attempting to supplement the tremendously expensive and burdensome foreign-assistance program of the last decade. All of the American taxpayers footed the bill in this instance. But H. R. 1 would not be so kind. It would place the burden on a selective basis. It would trade an American worker's job for that of some foreigner's. We believe the Jap or the German or any other foreigner should be given no more assurance of full employment than our own people.

On the matter of foreign wages, we do not believe that H. R. 1 gives adequate consideration to the harmful effects which exports to this country from low-wage foreign nations have on American products. American workers are the highest paid in the world. Should this be made a penalty for achieving a high standard of living?

If you permit tariffs to be reduced further in the manner set forth in H. R. 1, you will be doing just that. You will be making it possible for low-wage foreign countries to price our goods out of our own markets. The work-glove industry has been experiencing the same depressed conditions which its bigger brothers in the textile and apparel industries have been experiencing during the past several years. The years following World War II were of growth—in industrial capacity, investment, and employment. The needs of a people no longer at war had to be satisfied. A high level of defense production had to be maintained as well.

This industrial upsurge did not bring about an increased demand for work gloves. On the contrary, both production and shipments have steadily fallen off. Production has dropped from a level of 16,246,462 dozen pairs in 1953 to 15,051,778 dozen pairs in 1954, or a decrease of 7.4 percent. Total shipments in 1954 were 4 percent under 1953, also 4 percent under 1952, and 7 percent under 1951.

Dollarwise, the industry has also been losing ground. There have been successive declines in dollar shipments for each of the years 1951, 1952, 1953, and 1954. The value of shipments in 1954 was 21.6 percent under 1951, 11.4 percent under 1952, and 10.4 percent under 1953. This decrease in the dollar value of shipments does not merely reflect the decrease in the volume of work gloves shipped. Actually, the average amount received per dozen pairs of gloves dropped appreciably during the same period. In 1951 the average amount received per dozen pairs was \$4.15; in 1952 and 1953, \$3.85; and in 1954 a low of \$3.54, or 14.5 percent under the 1951 average. There has been no comparable decrease in the cost of production during that same period. The cost of labor, on the contrary, has risen—as it has in nearly all industries—and the decreased volume of gloves produced and shipped has added appreciably to the cost of production. Yet the dollar value received per dozen pairs of gloves continues on a downward trend. The possible threat to our industry in the form of lower tariffs could be a serious one.

I have here one of the types of gloves made in our industry. It is a combination of leather and fabric and commonly referred to as a leather-palm glove. This particular glove retails for about 79 cents a pair. A comparable pair of gloves which retails for about 29 cents is being imported into this country from Mexico.

I would like to make the same recommendations, which were just made to you by Mr. Cheney in behalf of the Underwear Institute, in the event H. R. 1 becomes law.

I. That provision be made in it to provide severance pay for (1) underwear-mill employees, (2) yarn-mill employees, (3) knitting machine factory employees, (4) sewing machine factory employees, and (5) all other working people severed from their jobs because of H. R. 1—because—this job loss will not be due to their fault or that of their employers, but to action by the Federal Government and therefore the Federal Government should pay for that loss.

II. To reimburse, over a term of years, the cottongrower and the woolgrower for their loss of markets, due to this Federal action.

III. To purchase (1) the machinery rendered idle and useless in this country by this bill, and (2) the buildings made useless by it.

IV. (a) That the operation of the law be taken out of the hands of the State Department and given to the Department of Commerce.

(b) That our commercial attachés be removed from the jurisdiction of the State Department and returned to the Department of Commerce.

V. That the United States Tariff Commission finally determine in all events what tariffs shall be changed and whether they shall be increased or decreased. The need for this last proviso is self-evident. While the bill says that the President shall do this and do that, we know full well that the doing or undoing will be left to the clerks in the State Department who are and will be anonymous. This method, of course, is a denial of representative government and of responsible government. The Tariff Commission on the other hand, must operate in the open, and can be held accountable for their mistakes and misdeeds.

Senator BENNETT. Miss Irene Blunt, executive director of the National Federation of Textiles.

We are happy to have you with us, Miss Blunt. We will be glad to listen to your testimony.

Miss BLUNT. Thank you.

STATEMENT OF IRENE BLUNT, THE NATIONAL FEDERATION OF TEXTILES, INC.

Miss BLUNT. Thank you.

My name is Irene Blunt, executive director of the National Federation of Textiles, Inc., a trade association organized in 1872 by the silk manufacturers of this country, and now representing manufacturers of fabrics made of silk and manmade fibers. We are a branch of the textile industry. The member mills own about 75 percent of the total capacity production in this branch of the textile industry, as reported by United States Bureau of Census. Our members employ about 75,000 people in 289 plants located from Maine to Georgia.

As requested, Senator, I will not repeat any of the statistics and data that we submitted at the Ways and Means Committee but I would like to speak to you this afternoon on our general feeling regarding our policy on the regulation of foreign trade, which has not been so stated previously.

My statement in respect to the reciprocal trade agreements program is based on personal observations of its workings since the inception of the act in 1934. I was present at the hearing in April and May of that year before your committee, and I have appeared since then at sessions of the Committee on Reciprocity Information, as well as at the hearings on renewal of the act.

Apprehension that we expressed at the outset over the feasibility of this radical change in the handling of our foreign trade relationships, has been more than realized in the 20 years since. Mr. Horace B. Cheney, who had had many years experience in appearing on behalf of his own silk manufacturing business, and in his industry in tariff matters, stated at the 1934 hearing that:

When the administration of such a law as this is put into force it will not be President Roosevelt nor Secretary Hull who will formulate and draft the treaties and general policies on which industry will depend. Those will be chiefly done by persons of less responsibility and of less experience and, particularly, of less knowledge of the industries of the country as a whole.

* * * The planning committee which was very influential in the forming of this legislation * * * has given its report indicating a belief that there are industries in this country which we would be better without, which should be eliminated, and even some of their members went so far as to provide an alternative for providing for the maintenance of the displaced population of New England on subsistence funds. * * *

Twenty years ago, this statement was made and it sounds very familiar from the questions of some of the press reports we have seen in recent months.

In 1935, the avowed purpose of the act was to reduce unemployment. Instead, it has gradually caused unemployment among many of the vital domestic industries. In 1937, when the act was renewed for 3 years, it was hailed as a means of preventing war—war broke out in 1939, 2 years later. Now its avowed purpose, as stated in H. R. 1, is—

* * * to expand foreign markets * * * to those branches of American production which require and are capable of developing such outlets.

and giving the President of the United States authority to enter into foreign trade agreements—

whenever he finds * * * that any existing duties or other import restrictions * * * are unduly burdening and restricting the foreign trade of the United States.

This, we maintain, is discriminatory legislation in that the effect on domestic industries is made subservient to the advancement of foreign industries and of United States manufacturers who wish to extend their export business.

We contend further that the present program, as it has been carried out through 20 years, is a threat to the national security of the United States. The concessions have resulted chiefly in giving to other countries the opportunity to supply some of our more basic needs—clothing and other textile products are an example. With the world in the state of upheaval that it is, we can think of no greater favor to unfriendly nations than to strip away our much envied ability for self-containment of our essential needs.

To summarize our position in respect to the Reciprocal Trade Agreements Act:

1. We believe, in the 20-years trial of the program, it has not accomplished its stated purposes. It is, in fact, endangering the welfare of our country and its citizens by tearing down the industries supplying our basic needs. It is endangering the livelihood of those engaged in those industries, and especially in those industries which are the largest employers of labor, and the stronghold of the small-business enterprises. That has been mentioned today by other speakers but it is particularly true in our branch of the industry where in one area, in eastern Pennsylvania, the average number of employees per plant is 72.

2. We believe that the doctrine so widely espoused and preached by the State Department, that the free nations unite under a general agreement on tariffs and trade, is futile. The success of such an agreement depends not so much on a complete reduction of tariffs by all contracting parties, as upon complete currency convertibility and an international monetary standard. This is lacking in the world today.

3. We also believe that the regulation of—

the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production—

as mentioned in the introduction to H. R. 1, can best be administered by a special commission, the members of which are appointees of the President of the United States, confirmed by the Congress, as are members of other commissions such as ICC, SEC, and the United States Tariff Commission, but we contend that an administration of foreign trade by unknown Government employees, as exemplified by

the 20-year operation of the Reciprocal Trade Agreements Act, is more representative of operations in a totalitarian state than it is of the democratic procedures of the United States.

The present Committee on Trade Agreements which we understand is responsible for recommending to the President specific trade agreements, for framing their detailed content, and for supervising and directing the whole trade-agreements program, has no direct contact with the industries and workers affected by the agreements.

A representative from the Department of State, to all intents and purposes, is the sole spokesman of our Government in these negotiations, and that representative is not a publicly appointed official, and he has no official contact with the industries affected.

The Committee on Reciprocity Information, which the President has named to hold hearings for such industries, does hold those hearings but they have become a hollow gesture. No information is supplied to the Committee as to what concessions are to be offered. There is only a list of articles which may be considered. The impression carried away by those who have taken part in these hearings, especially those who oppose any further decreases in tariffs, is that they are talking to deaf ears; that the members of the Committee are only going through the motions of being present because they have to be. There is no feeling of discussing, in the American fashion, the pros and cons of a specific recommendation. Presenting information to that Committee is somewhat like shooting arrows into the air.

In October 1947 I was in Geneva, Switzerland, when I inquired about attending some of the sessions on the Geneva Trade Agreement then being held. I was informed that it was private meeting, that no industry people were permitted, and that all negotiations were handled by a State Department employee, unnamed. When I mentioned this situation to some fellow textile people in European countries, they said that the negotiators for their countries were people informed and experienced in the industries affected by the negotiations, and that delegations of representatives from these industries customarily accompanied their negotiating committee.

4. We therefore ask your committee to amend H. R. 1 so as to:

A. Provide for a duly appointed joint commission named by the President and confirmed by the Congress, and consisting of men whose background and knowledge is equally representative of those who desire an export market and those whose major concern is for the domestic market. The duties of the commission should be:

(1) Consideration of requests by other Government agencies, other countries, and industries desirous of entering into the foreign export market, for adjustment of tariff rates.

(2) Public announcements of these requests and a hearing of all interested parties before the Commission in respect to the effect of such requests.

(3) When this Commission is ready to make recommendations for specific provisions of trade agreements, there should be an equal opportunity to be heard after public announcements of the specific recommendations.

(4) This Commission should also be the actual negotiating agency with the foreign governments, and the decision of the Commission, following the public hearings, should be final.

B. The United States Tariff Commission should be named as an investigatory body to serve the new Commission :

(1) It should be their duty to report to the Commission on the economic effects of any trade agreement. These economic facts should include not only the effect on the domestic industries, but also a study of the conditions surrounding the trade of the countries who will be entering into the agreement.

(2) Provision should be made in the act that such investigations should consider specifically: That is, what we consider more important in connection with the Tariff Commission investigations which are not defined as present in the act or program.

(a) Whether there is a downward trend in production, employment, prices, profits, or wages in the domestic industries whose products are being affected by the proposed tariff changes.

(b) Relative differences in cost for labor and raw materials between the foreign and domestic articles, as we had originally in section 336.

(c) Trends in imports as to relative increases in relation to domestic production.

And now I would like to make this special mention :

(d) The extent to which the countries most likely to benefit by the proposed agreements have :

(1) Stabilized their currency.

(2) Increased their production for domestic consumption.

(3) Relationship of the standard of living in those countries to that of the United States.

(4) The extent to which quotas, subsidies, licenses, or restrictive taxes are used to control the use of goods in those countries.

C. Provision should be made for continuing the present agreements for a period of 3 years in order to avoid any interruption in present foreign-trade relationships and to provide an opportunity for the new Commission to organize and become thoroughly familiar with conditions surrounding the 20-year operation of the program.

D. No new agreements should be entered into within the 3-year period. Reports from abroad indicate that in every country affected by the trade agreements, production is booming—as you have been informed earlier today—and the additional 3 years' experience with the present rates will provide a more adequate opportunity to determine the economic and political value of such agreements.

Miss BLUNT. I might mention here yesterday I received a copy of a document, issued by the Tariff Commission on tariff simplification study, which to me is as clear an indictment of the hodgepodge tariff situation we have in this country as anything I have ever read. By the time you read this and see the number of patches we have put on the original suit of clothes that we gave the tariff plan in 1930, you feel it is high time to sit down and really look at this whole problem right straight in the eye and try to devise a plan that has some dignity and logic to it.

The Commission, to my mind, has brought out whether they intended to do so or not, very tragically what has happened by the series of trade agreements conducted by people who knew very little about the economics, or cared less, of the country and who simply slapped one adjustment on another until we have nothing reasonable or logical about our whole tariff plan.

I certainly would recommend to anyone who is studying this situation.

The proposed plan will provide the opportunity desired by supporters of the Reciprocal Trade Agreements Act to enter into such agreements for the expansion of their export trade; and, at the same time, will provide domestic industries affected by such agreements the opportunity to know what those concessions are to be, and to have an open discussion before men whose responsibility for making the decisions is known and recognized.

I thank you.

Senator BENNETT. Any questions?

Senator MILLIKIN. No questions.

Senator BENNETT. I would observe that it is your recommendation that we make a new suit of clothes and we make it with American textiles.

Miss BLUNT. I recommend that very highly.

Senator BENNETT. Mr. Arthur M. Klurfeld, executive director of the Textile Fabrics Association.

STATEMENT OF ARTHUR M. KLURFELD, EXECUTIVE DIRECTOR, TEXTILE FABRICS ASSOCIATION

Mr. KLURFELD. Mr. Chairman and members of the committee, I appear here today as executive director of the Textile Fabrics Association of New York which is composed of both large and small converters of cotton textile fabrics as well as integrated firms who manufacture the fabrics in the greige and also finish them. The members of this association produce over 85 percent of all cotton fabrics finished in the United States.

By way of background, I might state that I have had considerable experience in the tariff field, both as an attorney with the Bureau of Customs, in Washington, and as counsel for several industries for a number of years.

As requested, I do not intend to repeat any of the data or arguments made by me before the House Ways and Means Committee with respect to this bill. At that time we registered our opposition to the bill both on substantive and technical grounds insofar as it gives the President authority to lower existing duties on cotton fabrics.

In the course of the consideration of the bill before the House, Government spokesmen stated that the administration did not intend to injure domestic industries by lowering tariffs substantially under the powers granted to the Executive under H. R. 1. This was in answer to testimony from numerous witnesses in many industries that they feared competition from Japan if tariffs are lowered on products produced in that country. The most comprehensive statement of the position of the administration is that made by Secretary of State Dulles before the Ways and Means Committee of the House which appears on page 89 of the transcript of the hearings before that committee on H. R. 1. Mr. Dulles answered as follows to a question put to him by Congressman McCarthy:

Mr. McCARTHY. Is it safe to assume that we hope to exchange principally agricultural commodities for Japanese manufactures, and an increased exchange will be a result of this treaty?

Secretary DULLES. I would say that what we hope from this negotiation, Congressman, is to find, if we can, markets for Japanese goods primarily outside of the United States, and which will promote our trade and commerce, but primarily through triangular, multilateral operations, rather than by direct operations. There is not much in the way of Japanese manufactured goods that we really want in this country. There are plenty of places in the world which are in very great need of the kind of goods that Japan can manufacture and produce. Japan does need many of our commodities that we export, such as cotton and wheat. The art is to try to find a way whereby Japan can take from us what she needs, whereby other countries can take from Japan what they need. Japan produces and they, in turn, perhaps give us what we need.

In other words, I see the future of that, or the success of it, as resulting more from the possibility of developing, broadly speaking, the world market for Japanese goods rather than upon our creating a market here to take more of the Japanese manufactures.

We recognize this was not an unequivocal statement, but it was intended to allay the fears of such industries as the cotton-textile industry of possible injury from Japan as a result of lowering of tariffs. As we understand it, the administration hopes to get other countries such as Britain to open her colonial possessions to Japanese textiles and other products and our Government, in turn, will give Britain concessions on products that she desires to export to the United States.

While this statement of the Secretary of State is intended to be reassuring, we derive no comfort from it, in view of actions already taken by the State Department and events that have occurred since the Secretary of State appeared before the Ways and Means Committee.

We have no doubt of the sincerity of the Secretary of State that our negotiators at Geneva will endeavor to follow out the master plan he outlined in the statement quoted above. However, there is already evidence that this plan is doomed to failure. The textile industry in Britain is apparently already experiencing a severe loss of its export markets as a result of Japanese and Indian competition. In a dispatch from London dated March 9, 1955, which appeared in the Daily News Record of March 10, 1955, the president of the board of trade in Britain was quoted as follows in relation to imports of cotton fabrics:

However, no measure to limit imports will solve the problem. The great cause of the present position lies in the fact that exports of British cloth in 1954 were down 70 million yards from the previous year and 270 million yards from 1949. Lancashire has been hit in the colonial markets by competition from India and Japan and in the Commonwealth markets by increasing domestic production capacity and protective tariff barriers.

One of the great changes of the last 25 years in the textile industry is that India is now an exporter rather than an importer of cotton goods. Australia imports from Japan but she must if she expects Japan to buy her raw wool. We cannot control situations in third markets.

If the textile industry in Britain is already losing its colonial markets to Japan under present tariff rates in those markets, is it reasonable to assume that Britain will agree to a lowering of the tariffs in those colonial markets in order to help the textile industry in Japan? Britain, too, as Japan, must export if she is to live. Surely her own sense of survival, insofar as exports of textiles are concerned to her colonies, will prompt her to refuse to go along with the plan proposed by our Secretary of State.

If we are correct in that conclusion, it is most reasonable to assume that other textile-producing countries such as France and Belgium would take a similar stand to that of Britain in retaining their export market for textiles in their colonial possessions, if possible. Since our Government pledges itself in this bill to expand the export markets for products of Japan, it follows inevitably that the administration will then have to lower the tariffs in this country for products of that country, simply because it will be unable to create such markets for Japanese products in third countries.

That, in our opinion, accounts for the fact that the administration included cotton textiles in the list of commodities published on November 16, 1954, as to which it intends to negotiate a trade agreement with Japan. On the face of it, the inclusion of cotton textiles in that list is inconsistent with the expressed statement of policy made by the Secretary of State that our Government intends to find a market for Japanese manufactures in other countries. Our fear is that our Government will not find that market for Japanese textiles in third countries and will then use the power granted under subsection (2) (E) on pages 5 and 6 of the bill. It must be remembered that this provision would give the President authority to decrease existing rates of duty on cotton textiles by 50 percent and an additional 15 percent of those rates existing on July 1, 1955.

If the administration does not intend to do serious injury to such an important industry in our economy as the textile industry, we see no reason why the Congress should give the President the power to reduce duties on cotton textiles from Japan by an amount that would without question ruin the textile industry. We fully understand and appreciate the desire of the administration to build up the economy of Japan to prevent, if possible, that country from becoming a satellite of Russia. No one can quarrel with this objective, but we believe that the Japanese textile industry needs no further incentive in the way of lower tariffs in order to find a market for her textiles both in this country and elsewhere in the world. Japan in a short space of time has already become the leading exporter of cotton textiles in the world under present tariff rates. She has also stepped up her exports of cotton textiles to this country very substantially in the past year. The truth is, her ability to sell her cotton textiles in the United States and in the world market is only limited by her productive capacity and not by reason of present tariff rates.

In keeping with the pledge of this and past administrations to prevent any domestic industry from being seriously injured by increased imports as a result of lower tariffs, an escape clause was first inserted in individual trade agreements and then made an integral part of the Trade Agreements Extension Act. The record of the various proceedings under the escape-clause provision clearly indicates that industries time and again made out a clear case of injury to the satisfaction of the Tariff Commission, only to find that the President reversed the action of that Commission.

The result has been that industry in general, in competition with imported products in this country, has lost confidence in the manner in which this provision has been administered and can no longer look toward it as a means of redress against unfair competition from abroad. In effect, the escape-clause provision is but an example of

the familiar rule that the authority that administers a law should not also be permitted to decide cases whose effect would be to undo prior acts of that authority. In other words, it is unreasonable to expect that the executive branch of the Government, having negotiated lower tariff rates with other countries, will permit its actions to be reversed under escape-clause proceedings, except under the most extraordinary circumstances.

Perhaps the best illustration of the present thinking of the executive branch of the Government in relation to the escape clause is the decision made in the Swiss watch-movement case. The evidence was clear as to the serious injury to the domestic watch industry resulting from very substantial imports of Swiss watch movements. However, that apparently was not enough to warrant granting the domestic industry relief. The President had to find that the skills of the workers employed by the three remaining domestic watch producers were essential to the national defense before he would grant the plea of those producers for higher tariff rates.

If that is to be the sole criterion under which domestic industries will receive relief under the escape clause, in our opinion, few if any industries can look to the escape clause as a source of relief in the event of serious injury. We submit it would be better that industries not be deluded into any false sense of hope from an escape clause proceeding by removing the provision altogether rather than have them find in practice that it is a remedy without actual relief.

The administration made it clear when H. R. 1 was before the House that it strenuously opposed any strengthening of the escape clause that would limit the President's authority to reverse the actions of the Tariff Commission. We find it strange that the administration should be unwilling to give the Tariff Commission final authority in an escape-clause proceeding under the Trade Agreements Act and yet have gone along with the transfer of the authority from the Treasury Department to the Tariff Commission to determine injury under the Antidumping Act, as recently amended. Surely, if the Tariff Commission had done such a poor job in administering escape-clause proceedings under the Trade Agreements Act the administration would not have consented to give that agency final authority to determine injury in dumping cases. It appears to us that the position of the administration with regard to the authority of the Tariff Commission under these two laws is inconsistent.

At the hearings before the Ways and Means Committee on H. R. 1 much was made of the fact that imports from Japan of cotton textiles and cotton-textile products represented only six-tenths of 1 percent of domestic production. These figures were apparently put forward in an effort to prove that the textile industry is making a mountain out of a molehill insofar as competition from Japanese textiles is concerned. This is but another example of the dangers of drawing conclusions from statistics without knowing all of the facts. The textile industry in this country has always been highly competitive and particularly so in the last 20 years. The result is that the market reacts violently to any offers of goods at lower prices, no matter how slight these changes in price may be and whether these offers represent large yardage or not. Any businessman who has had any experience in the cotton-textile industry knows that to be true. In fact, in a period when our economy is expanding and all other major

industries have experienced increased volume and profits, the textile industry is the only major industry whose profits have decreased. This merely emphasizes the keen competition that already exists in the textile industry.

The possible injury to the textile industry from Japanese textiles lies in the fact that Japan has the equipment to produce cotton fabrics of equal quality to those made here at prices which our industry cannot possibly meet. To grant Japan lower tariffs on cotton textiles would represent an open invitation to have her take over the American market for textiles to the extent of her productive capacity. The lowering of the tariff rates on cotton textiles or on apparel made from cotton fabrics would give Japan an immediate incentive to increase her productive capacity immensely.

It is our considered view that the President is being given too broad an authority to lower tariffs under the proposed law, particularly in view of the statement of spokesmen for the administration that they do not intend to injure any domestic industries by the lowering of tariff rates. We therefore recommend that the escape-clause provision be amended to give the Tariff Commission final authority to determine injury under that provision.

Second, we recommend that subsection (2) (E) of H. R. 1 be amended to exclude from that provision the power of the President to reduce tariffs by 50 percent below the existing rates on January 1, 1945, on cotton textiles and articles made therefrom. Third, we recommend that the rates established by the Tariff Commission under the peril-point provision shall be made public before any trade agreement is negotiated with respect thereto and the President be required to report to the Congress whether he intends to ignore the peril-point recommendations of the Tariff Commission and if so, his reasons for doing so.

It is generally recognized that competition between countries for export markets for their products is constantly increasing. That is particularly true as a result of the resurgence of the economies of such countries as Japan and Germany. The proposed extension of the Trade Agreements Act for a period of 3 years in effect takes away from the Congress the power to reexamine our foreign-trade position for that period of time. In theory, the Congress could amend the act before it expires, but that has not been the practice hitherto. We believe it would be wiser for the Congress to extend this act for a period of 1 year and then evaluate the economic effects on domestic industries of any concessions granted to Japan in the agreement now being negotiated in Geneva. This would serve the dual purpose of giving the administration the power to negotiate new trade agreements and also act as notice to the world that the Congress does not intend to divorce itself of its authority in the tariff field for an extended period of 3 years.

I want to say one or two things with regard to the bill itself and these are points which were not covered by me before the Ways and Means Committee.

First of all in relation to this provision about lowering duties by 50 percent below what they were within 1945, where imports were of negligible quantities, I think it is not merely a matter of defending the terms as stated in the bill which was discussed this morning, but

there is also an added danger to this. Apparently the administration looks upon this as a sort of a cleanup job. They want to find a list of those articles which they believe had been coming into this country in negligible quantities and they feel apparently that the duties on those items can be safely reduced by 50 percent below what they were on January 1, 1945.

It fails in their reasoning list in this respect in my mind. It may be that agreement could be reached on what the term imported in negligible quantities means, but the net result of that action would simply be to open up the way to any importing trade to seize upon those lower duties to expand the importation of those very items.

In other words the mere fact that you might agree that over a period of, a base period that those items had been brought in in negligible quantities that therefore it is safe to reduce the duties, doesn't follow, because once it is done then the way is open for those quantities to increase tremendously and the reduction of that duty would encourage that.

From my personal experience with the imports trade, once a trade agreement is negotiated importers have very carefully culled through the list to see what items they might find profitable now to import that they had not paid any attention to before.

That to me is the vice in that provision and not merely a definition of what the term "negligible quantities" means or whether it is tied into a base period or not.

I would say the danger of what I have just outlined happening is real and that it is that factor in it that should cause this committee to hesitate in approving a provision of that sort.

It appears innocuous on the surface but I think the possible results from the thing could be very disastrous.

I also want to say this with regard to this bill, that to my way of thinking every proponent of the bill has talked in general terms; we have tried to give you chapter and verse and content, logical arguments why we believe this will injure domestic industry seriously.

There was a lot said about getting an escape clause that will really act, be administered in a way that will give the industry the relief that it seeks.

I would rather say it would be more important to the industry to see that the reductions do not first take place and then have us come in to prove injury.

In other words, the very existence of the escape-clause provision gives the administration the greater opportunity to say they should be free to make reductions in duty and then have the industry prove rather than pay attention to the peril-points provision which I believe was intended to cause the administration to hesitate to put these reductions into effect before doing so.

I would say certainly, as I said in my prepared statement, that we are all very much in favor of a better, tighter escape clause and a better administration of it, but I again say that we don't want to rest on that as our sole recommendation for remedy.

We would rather see that the Congress should recognize the possible harm to the industry and not allow the reductions to take place when it can be reasonably assumed that those reductions will cause severe injury.

I want to say one thing in reference to the entire trade-agreement program. I studied the program for the past 18 years very closely and from a technical and practical standpoint, and it is my view that the original purpose of the act has been radically changed. The idea of creating a broader export market for our surplus products in this country has been lost sight of in terms of building up before the foreign economies of various countries without regard as to whether there are any compensating benefits.

I might also say that this is the longest time in the history of our country that we have had a single tariff act.

The reason for it is that we have—that they have been working on reductions from a tariff act. But the entire classification system with which I am very familiar is based on the economy of our country as it existed in 1930.

We have had any number of new industries that have come into existence since that time and the whole concept of these classifications is antiquated today. My recommendation in addition to those I made in my prepared statement would be that at this point the Congress take hold of this whole problem and really rewrite the tariff act.

We are badly in need of a new tariff act for many, many reasons. If it is true that the present purpose of the trade agreements program is to build up the economies of such countries as Japan, then we can certainly set our tariff rates in relation to whatever policy the Congress establishes and it seems to me that the foreign countries as well as our domestic producers would be much better suited if they knew that here was a tariff act with fixed rates that they could live with hereafter.

The very fact that the administration is only asking now for the power to reduce some duties by an additional 15 percent would seem to indicate in my mind that they feel that has reached the point where it can't ask for any further reduction beyond that point.

If that is true, that lends all the more basis for rewriting the tariff act as a whole, and I believe it would be a very salutary thing for American business, including the export interests and the import interests and the domestic producers, to have a new tariff act written for the benefit of our country.

Senator BENNETT. Thank you very much, Mr. Klurfield.

I am turning the gavel over to Senator Carlson.

Senator CARLSON (presiding). The next witness is Mr. Solomon Barkin, Textile Workers' Union of America.

STATEMENT OF SOLOMON BARKIN, DIRECTOR OF RESEARCH TEXTILE WORKERS UNION OF AMERICA, CIO

Mr. BARKIN. Mr. Chairman and gentlemen of the committee, we urge the full exemption of the textile industries from further concessions under the Trade Agreement Act.

The present act should be extended and no additional blanket authority be included beyond that already provided with the proviso for the establishment of a committee appointed by the Congress and the President to examine the existing rate structure for the purpose of evaluating the need for and effectiveness of its individual items in terms of the national and private interests. This committee, unlike

either the Bell or Randall committees, should recommend a list of criteria for determining the desirable degree of protection required for each industry in terms of national interest, and the orderly procedure by which existing tariff levels should be lowered or raised to enable domestic industries, workers, and communities to meet the Nation's needs. Such determinations, if they have been made in the past, have been referred to the President and have been exercised arbitrarily, as witnessed by the large number of reversals of the recommendations of the Tariff Commission on individual petitions under the escape clause. No general principles have evolved from the administration of the escape clause.

The President, in his letter to Congressman Martin, declared that—

No American industry will be placed in jeopardy by the administration of this measure. Were we to do so, we would undermine the ideal for which we have made so many sacrifices and are doing so much throughout the world to preserve. This plain truth has dictated the retention of existing peril-point and escape-clause safeguards in the legislation. (Congressional Record, Feb. 18, 1955, p. 1517.)

The above Commission's recommendation, when enacted into law, would provide specific guidance to the President and his agencies in the realization of his affirmation. We shall then have a positive policy, rather than an uncertain one dependent on the whim of the executive department.

CURRENT DEFENSE OF LIBERAL TRADE IS LESS THAN FRANK

Seldom is the explanation of legislation less frankly stated than it has been in the present instance. We are being told that the present legislation is necessary to narrow the dollar gap; to increase the dollar earnings of other countries in need of foreign trade, with particular accent on Japan; to increase trade relations with other free countries. But we are assured that "no American industry will be placed in jeopardy."

There is no estimate of the benefits to trade, or the impact on American industries or even the rates which are to be reduced. Presumably, this procedure is designated to avoid arousing the opposition of particular industries. The result is that all industries likely to be affected are protesting. Another purpose of this procedure is to withhold our possible offers from the countries affected, a purpose which has been partially vitiated by the public hearings on negotiable items provided by the Committee on Reciprocity Information.

The bold claims for international peace are being combined with assurance of moderation of action. But a tariff rate does not make for trade; it is only a factor in price. The proponents of the measure have done little about explaining how they will seek to translate the lower tariffs into trade or how the proposed bill will accomplish this purpose. Will there be goods which will serve the American market? Numerous organizations have been formed since the end of the war to promote such imports but they have yielded minor results except for increasing the vulnerability of the existing basic traditional industries such as textiles. Yet these are the industries which are not to be placed in jeopardy.

The great need is for a practical study of the types of noncompetitive trade which can be encouraged without adversity affecting Ameri-

can industries. This objective has not been practically discussed. Instead, the proponents have acted as if the trade problem would be resolved through lower rates and then provided assurances against jeopardy without spelling out its meaning or course of conduct. With rates having been already reduced to the present low levels, it would be well that we stop legislating broad delegations of power and, instead, provide specific guides, both with respect to the levels of rates and procedures for their reduction or increase and the promotion of foreign imports of the types which can compliment and supplement our own productive system. This type of program would do much for stable international trade, for it would definitely promote the dovetailing of economies so that profitable and constructive trade would be carried on. It is likely that much can be done toward advancing international trade by promoting the importation of goods not now made or made in insignificant volume in this country. Such programs should have the highest priority in the planning of governmental and private liberal trade circles.

General tariff and trade legislation must be postponed until we enjoy an economy of full employment: We urge that this is no time for an important liberalization program. With unemployment of some four or five million people and economic uncertainty prevailing in the United States, we should not consider further dislocations in the domestic economy from outside causes. Present difficulties make it abundantly clear that our resources and thought must first be directed toward the restoration of our own economic health. The achievement of this goal will benefit not only our people but other countries as well.

We know that a liberal import policy is no substitute for a full employment policy even for the purpose of promoting a high level of imports. This was strikingly illustrated by the results of last year. The maintenance of less than a full employment economy in 1954 was injurious to us and sharply curtailed our capacity for absorbing imports. In the words of the Department of Commerce Survey of Current Business—

the contraction of domestic business in 1954 lowered imports. They had also declined during the second half of 1953. The \$660 million drop in imports for 1953 to 1954 was due almost entirely to lower purchases of metals, fibers, rubbers, fats and oils, hides and skins, and other industrial raw materials. Food imports decreased in quantity but were maintained in value owing to higher average unit prices for coffee and cocoa. * * * It appears that earlier in 1954 the downward adjustment in imports did not fully reflect the lower industrial requirements. Hence in the latter part of 1954 the rise in imports also have lagged behind the rising demand. * * * Over the past year consumption of a number of imported raw materials, including wool, hides and skins, and certain fats and oils, has declined relative to consumption of similar domestically produced items. * * * The expansion of domestic aluminum production entailed greater imports of bauxite but this did not offset in full the reduction in the value of aluminum imports as compared with 1953. Likewise the greater imports of iron ore supplied by the steel industry's new producing facilities abroad coincided with a 50-percent drop in our imports of steel mill products with the lowering of general demand in this country for these products in 1954 (Survey of Current Business, February 1955, pp. 26-28).

The full restoration of our economy to a full employment level will be more critical to the economic health of foreign countries and to our exports than the reductions proposed under this bill. The large rise in exports during 1954, which accounted to some \$500 million over 1953,

is explained by the Survey of Current Business as having been made possible by the—

large excess in foreign dollar receipts in 1935 * * * (foreign) economic expansion resulted in increased purchases in this country. * * * Western European countries stepped up purchases in the United States by over \$400 million thus accounting for more than half the rise in overseas exports from 1953 to 1954.

The liberalization of dollar imports by these European countries were designed—

primarily to establish greater freedom in markets for raw materials to supply their rising industrial requirements.

The United Nations Economic Commission for Europe in its annual economic survey declared that—

Europe's deficit on dollar trade rose sharply last year because of a drop in United States imports brought on by the 1953-54 recession and an increase in Europe's dollar buying caused by the expansion of production on the continent and in Britain (Journal of Commerce, March 11, 1955).

A full employment economy must be our primary objective. Those liberal trade advocates who are also proponents of a full employment economy must give foremost priority to the latter objective rather than the former. By agreeing to separate the two issues and joining the high employment or export interests advocates in support of the present program they are unfortunately denying their primary allegiance. Their position is unsound since it is full employment rather than lower tariff rates which will provide a higher level of imports.

A study by the Twentieth Century Fund on import policy which is to be published shortly concludes that "trade is good not because it will create additional jobs but because it will make jobs productive." At a time when we are suffering from technological unemployment; when the rise in economic activity does not bring with it an equivalent rise in employment due to the meteoric increases in productivity, are we to aggravate our displacement problems by the import of more "productive jobs?" The protected industries tend to employ a large number of persons per dollar of sales than do the other industries. Their contraction or destruction would require the appearance of a dollar volume of sales in this country from other sources greatly in excess of that displaced. Since these domestic industries are themselves unable to absorb the existing supply of workers, where will the workers displaced from these destroyed industries be employed? We cannot expect the necessary compensatory larger volume of sales in our domestic industries to offset the displacement caused by imports. Unemployment will be aggravated rather than eased.

Moreover, we have had enough experience in textiles to know what the competitive struggle for survival in face of lower-priced woolen and worsted imports means for the workers. Not only does it ultimately lead to the shrinkage of jobs as the less competitive plants are eliminated but with the intensification of competition and the more determined efforts of existing companies to remain in business, employers are not reluctant to seek wage cuts. While the woolen and worsted imports were not the major force, they contributed by accelerating the deterioration of the market which finally led to employer pressure for wage cuts that resulted in reductions forced on us by arbitrators.

As a nation we are now not primarily concerned with increased productivity or more buying power for the consumers' dollar—welcome as they might be—but with creating more jobs and preventing further contraction in employment. Hence a program for positive action in the field of import policy must be shelved until such time as the Government and industry have restored and guaranteed full employment. Only in such periods are resources and initiative available to create new employment and industries necessary to absorb displaced people, stranded enterprise and idle capital. Personal and industrial adjustments necessitated by the contraction of an industry will then be most easily made.

DOLLAR GAP NOT DUE TO AMERICA'S IMPORT POLICY

As a member of the import policy committee of the Twentieth Century Fund which is sponsoring the publication of a research study on American imports by Professor Don Humphrey, I have had an opportunity to study the problem of the relation of the dollar gap to the tariff policy.

It is well to recognize the speciousness of the "trade, not aid" slogan. It was first pronounced by Europeans anxious to gain greater entrance into the American market. In the United States it has been enthusiastically—and ironically—adopted by two groups diametrically opposed to each other: by isolationist politicians who want neither trade nor aid; and by doctrinaire economists and governmental officials who still imagine that the 19th century British free-trade theory is a relevant basis for policymaking in the mid-20th century.

The latter hope cannot be realized. And the damage to certain domestic producers which will flow from a liberal American import policy would far exceed the benefits. In today's world even the most liberal changes in import policy would not result in an increase in imports of anything like the magnitude of the dollar shortage. Though the dollar shortage might temporarily disappear when the free world is enjoying unusually favorable economic and political conditions, even the complete removal of American trade barriers would not be sufficient to abolish it permanently. The dollar gap is the result not of American import policies but of long-term changes in the European economies and of the structure of the American economy. The dollar shortage is only a symptom of the profound changes in the 20th century world. The liberalization of American import policy would make a minor contribution to alleviating the causes of the poor economic health of other countries. This contribution, we believe, would hardly be worth the economic distress it would create within the United States.

A similar conclusion was recently presented by Mr. Samuel Lubell, in his book, *The Revolution in World Trade*. He says—

the American economy could not be made the center of a new one-world trading system such as prevailed in the days of Britain's dominance. * * * The dollar gap thesis has been distorted into an argument for increasing United States exports abroad even though the remedy proposed—tariff reduction—could have only slight effect in increasing imports (p. 92).

It is important to note that the ratio of American imports to domestic production has been declining in terms of value though it has been maintained in terms of physical volume. American imports have

been concentrated in crude agricultural materials and semimanufactured goods. Our continental economy naturally has a high degree of self-sufficiency. While our pattern of economic growth "enlarges demands for foreign goods," there is no assurance that "imports into the United States will grow." Our technological advances are freeing us increasingly of our reliance even upon raw-material imports. The development of synthetic fibers are doing more to reduce our imports than any protectionist tariff act imposed by Congress. Similarly, synthetic rubber, plastics, synthetic diamonds, processing of taconic ores; artificial leathers; plastic tableware, and greater productivity per ton of uranium ore are doing more to reduce our imports than any tariff act. Science is reducing our demands for imports. Even the most liberal trade program would, therefore, yield disappointing results in terms of value of imports.

The slogan of "trade, not aid" must be played down because it is deceptive. It encourages foreign countries and well intentioned Americans to believe that this prescription is a solution for the problem—which it cannot be.

TARIFF RATES ARE MINOR PART OF A PROGRAM OF INTERNATIONAL ECONOMIC RELATIONS

Careful students of this problem agree that the tariff program is, at best, only a minor tool in developing a new balance in international economic relations. The extreme advocates of trade liberalization should define the place for their program in the context of such a comprehensive program for achieving a better international economy. Such a grand design has not been presented and little attention has been devoted to such a program.

The proponents of liberal trade policies have identified themselves as representing the national interest. However, they overlook the fact that the private beneficiaries of such policies may often be promoting them with enthusiasm, finances, and claims far exceeding the possible public gain. In presenting the argument in terms of general foreign policy and overall domestic injury, they do not take into account the smallness of the benefit to general foreign policy or whether it is in the public interest to destroy or contract specific industries or sectors thereof through tariff reductions.

A JOINT COMMITTEE SHOULD STUDY CRITERIA FOR DETERMINING PROTECTION; AND CONGRESS SHOULD ENACT GUIDES INTO LAW

There is need for a reappraisal of the existing tariff structure. Until a thorough study has been made there is no justification for taking any action to liberalize duties. By approving the current bill the Congress would be sanctioning actions which may be injurious to the public interest. The specific challenge of the affected industries would be evaded. Current plans for aiding war industries outside the tariff structure are being discussed by the present administration. It is ironic that an administration opposed to aids and assistance is considering import quotas, outright cash subsidies and stockpiling devices rather than the price mechanism of the tariff to protect special industries characterized by high wartime priority. Action should be postponed until a stable level of full employment is realized.

The immediate need is to develop a list of criteria in the public interest by which to determine the specific industries to be maintained, contracted, or destroyed. What degree of protection should be afforded specific industries in the national interest? In accordance with what orderly procedure should the existing levels of protection be lifted to enable domestic industries, workers, and communities to adjust thereto?

No such program should be adopted until adequate protection is provided for individuals affected by the adjustment. The bills now in Congress express our intent but must be made more automatic and effective in their operation.

EXCLUSION OF TEXTILE PRODUCTS FROM REDUCTIONS IS IMPERATIVE

In view of the general appraisal that imports cannot be increased in significant volume, liberal traders have countered by challenging us respecting our demand for stopping the changes in the tariff act on textile items. The reason is most significant. A study of Howard Piquet's indicates that one-half of the increase in imports resulting from the removal of tariff barriers would come in the form of textiles. His data show that on the basis of a minimum estimated increase of \$674 million, \$346 million would be textile fibers and manufactures, primarily the latter, and under his maximum estimate, \$696 million of the increased imports of textiles would constitute about 50 percent of the total rise. It is therefore evident that the reduction in tariff rates would primarily affect the American textile industry. It is the fact that this industry would carry the major impact of trade liberalization which is inequitable.

This concentration is understandable. First, it is a traditional industry in which other countries are engaged. Second, it is a shrinking industry in older industrialized countries in Europe and Japan, where foreign markets have been closed or reduced largely by the organization of local national textile industries, they are anxious to get markets to replace those which have disappeared. Consequently, they press hard on our negotiators for concessions.

Not only would the textile industry be a major target for the liberal trade program, but it has already been, and will continue to be injured through the reduction in export markets. At its postwar peak, 1947, the United States exported 1.5 billion square yards of cottons and 250 million square yards of synthetic fabrics. This volume has been drastically reduced; in 1953, exports were 621 million square yards of cottons and 198 million square yards of synthetic fabrics. In 1954, the volume was even smaller; 605 million square yards of cotton and 200 million square yards of synthetics.

The primary American export markets are in Canada, the Philippines and Latin America. These are in great danger. As for Canada, the impending trade agreement with Japan, which will extend the benefits of GATT, to her, will result in sharp competition between Japanese and American imports and reduce our exports. As for the Philippines, our special position is likely to be of short duration. Tariff barriers and Japanese and Indian competition remain an ever present threat to the remaining Latin American markets. There is no doubt that the volume of textile exports will continue to shrink.

These reductions would only compound the injury done by direct imports.

We believe that the following exemption should be adopted:

A BILL To provide that the rates of duty on certain goods manufactured from textiles shall not be reduced below the rates applicable to such goods on January 1, 1955

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That no foreign trade agreement entered into by the President after January 1, 1955, under section 350 of the Tariff Act, as amended and extended (19 U. S. C., sec. 1351) shall operate to reduce, for any period on or after the effective date of this Act, the rates of duty which were applicable on January 1, 1955, with respect to any of the articles listed in sections 901 to 918, 921 to 923 of schedule 9, sections 1002 to 1023 of schedule 10, sections 1105 to 1122 of schedule 11, sections 1202 to 1211 of schedule 12, sections 1301 to 1312 of schedule 13.

Sec. 2. This Act shall take effect as soon as practicable, on a date to be specified by the President in a notice to the Secretary of the Treasury following such negotiations as may be necessary to effect a modification or termination of any international obligations of the United States with which this Act may conflict; however, in no event shall this Act take effect later than the one hundred and eightieth day after the date of enactment of this Act.

Sec. 3. Be it resolved that the President of the United States shall not cause to have negotiated any agreement providing reduction in rates of duty for the articles listed in the above-named schedules pending the effective date of this Act.

We believe, for reasons we have developed in this statement, that no injury should be further perpetrated upon the American textile industry. These may be summarized as follows:

1. A high level of unemployment prevails in many divisions of the textile industry. Alternative employments are limited in textile areas.

2. Current technological changes, interfiber, interprocess, and inter-product competition are threatening many more jobs.

3. In view of the prevalence of unemployment, this is an inopportune time for further concessions which would complicate the adjustment process.

4. Certain branches of the textile industry included in the current negotiations are the branches of the traditional industries which have the best chance for continued survival in interfiber competition and therefore should not be threatened by a new increase in the volume of imports.

5. The industry has lost many foreign markets and export volume has been sharply reduced and is further threatened.

6. Textile imports should not be conceived as primary sources of international trade for countries involved in the proposed negotiations.

7. The maintenance of an adequate American textile industry is essential to our national standard of living, position, and defense.

8. The American textile industry is one of the largest of all textile industries and its position must be maintained.

9. Protection of the American industry has had few unfavorable effects upon the American or world textile economy.

10. The tariff mechanism is a faulty determinant of the flow of textiles and is complicated by current raw material price policies.

11. Concessions should not be negotiated for products which are primarily supplied by countries other than those with whom negotiations are contemplated.

12. Limited types of imports of textile products can contribute to new ideas, developments, fabrics, and designs, but they should not come in such volume as to destroy segments of the American industry.

13. We urge the promotion of international fair labor standards in the world textile industry to avoid competition on the basis of exploited labor.

We have reiterated on several occasions our conviction and textile imports into this country can only have a destructive effect upon our domestic industry which is now suffering from widespread disorganization and in which hundreds of thousands of unemployed may be found. The benefits resulting to the foreign producers will be limited. They will disorganize the markets temporarily, accelerate the closing of mills, and aggravate the unemployment conditions, but in the long run, they will be unable to match the efficiency, designing and merchandising qualities of the American market. The rising efficiency in the American industry has enabled the American textile industry to meet foreign exports with considerable success. Current developments promise to increase this capacity to meet the foreign exporter in the American market. But during this transition, the increased volume of imports can only be harmful to us, and ultimately, to the foreign producer, for it will be creating the false illusion that he will be able to get a permanent foothold in this country, when as a matter of fact he will not.

The internal competitive forces in the textile industry are so virulent and destructive of existing interests within our country, that they are displacing tens of thousands of workers and rendering the adjustments difficult and staggering. We urge that these problems not be intensified through imports which, within a short period of time, will be unable to hurdle even our most modest tariff rates because of the rising productivity, merchandising, and designing skill of our American industry.

Therefore, we request the enactment of an exemption of the textile industry from the above bill and the Tariff Act of 1930 as the most fitting declaration of public policy.

Among the most doctrinaire free traders, there are many who are willing to concede that a special exemption should be granted to the textile industry. We herewith appeal to you and members of your committee that this prevailing sentiment among the free traders should be reflected in the current legislation.

THE CIO HAS ENDORSED EXEMPTION OF BASIC AMERICAN INDUSTRIES FROM INJURY BY TARIFF REDUCTIONS

We wish to present to you copies of the resolutions adopted at the 1954 Convention of the Congress of Industrial Organizations to indicate that they are substantially in agreement with our position that basic American industries such as textiles shall not be injured by tariff reductions. Through the intervention of our organization two resolutions adopted at this convention were modified to provide the qualifications necessary to prevent injury to basic American industries such as textiles.

Resolution 39, on foreign policy, reads in part as follows:

The isolationist high tariff bloc within the Republican Party has prevented the Eisenhower administration from putting into effect a realistic trade program for the United States, provided, however, that such tariff reductions shall not be destructive of basic American industries.

In Resolution 61, dealing with the legislative program, it was resolved that the—

CIO will use all of its resources to press vigorously for a national legislative program aimed at peace, freedom, and security for all Americans and for all the world.

The highlights of this program include (par. 25) :

International trade: Extension and liberalization of international trade programs: Adoption of legislation designed to ameliorate any harm resulting to affected workers, areas, or industries. Such tariff reductions shall not be destructive of basic American industries.

Representatives of the Textile Workers Union of America appeared before the resolutions committee and pleaded the case of our industry and the problems which we face. We emphasized that, unlike the lead and zinc industries, our problems could not be solved by stockpiling. We did not know of a single program which could insulate us from the effects of foreign competition, as is suggested in the above case. We pointed out that other industries were effectively protected from foreign competition by other types of legislation, such as import quotas, buy American provisions, and similar devices. That approach, however, was no answer to our problems.

The clear intent of the language was the protection of the textile industry from the destructive effects of tariff, because alternative methods to insulate its operations from foreign competition were not available.

Therefore, we take this opportunity to make clear to you that, insofar as the action of the CIO convention is concerned, it expressed itself clearly and unmistakably that, if there are no methods of insulating the destructive effects of lower tariff rates, such "reductions shall not be destructive of basic American industries."

We believe that the textile industry is such a basic one, and that within the meaning of the above resolution, the sentiment of the convention was clearly that it shall not be destroyed by tariff reductions. Such would be the effect of H. R. 1, and it is this effect we wish to prevent.

We are also enclosing a copy of a resolution adopted at the conferences of the cotton-rayon and woolen and worsted branches at our industry in Boston, on February 5, 1955. This clearly outlines our views and the need for the removal of any further threat to this industry, already suffering from difficulties and disturbances occasioned by many domestic factors.

We may note that prices in the industry, in view of the high raw material prices, are most modest and the margins moderate.

We earnestly urge your close study of our petition for complete exemption of this basic industry from further demoralization through additional pressures from competition from foreign sources.

RESOLUTION ON TARIFFS

Like the CIO as a whole, the Textile Workers Union of America believes in the freest possible trade among the nations of the world. But as the CIO itself noted in its Los Angeles convention, such trade should not and must not destroy basic American industry.

The textile industry is an outstanding example of the perils of thoughtless tariff policy. Since 1951 the industry has been suffering its worst depression in 20 years. Employment has shrunk from a million and a quarter to 900,000. Scores of mills, including some of the Nation's largest, have been liquidated. There is a question whether, in a war emergency, the remaining capacity would be adequate to clothe the military and civilian population.

The textile depression cannot be blamed on foreign competition. Nevertheless, such competition has been highly damaging in certain fabrics, including those that would be of primary military importance. The efforts of our union to correct this damage by proper interpretation of the existing law have been ignored.

Now a worse danger looms. President Eisenhower has placed textiles on the list of goods to be reexamined with a view toward further tariff reductions.

Such action might well mean the doom of the American textile industry. Quite aside from the fate of the workers and of the communities in which they live, this would be in shocking disregard of national security. It must not happen.

Therefore, be it resolved by this conference that we oppose with every means in our power any reduction in textile tariffs which would result in a further shrinkage in this vital industry, and endanger the safety of our country.

(The statement to the United States Tariff Commission submitted by Mr. Barkin is as follows:)

STATEMENT TO THE UNITED STATES TARIFF COMMISSION CONCERNING POSSIBLE TARIFF CONCESSIONS ON TEXTILE ITEMS IN THE NEGOTIATION OF RECIPROCAL TRADE AGREEMENTS WITH JAPAN

Submitted by Solomon Barkin, director of research, Textile Workers Union of America, CIO, December 22, 1954

STATEMENT OF THE TEXTILE WORKERS UNION OF AMERICA, CIO

We appear before your committee to attest to the impropriety of reducing tariff rates on textile items. An expansion of textile imports would have a highly unfortunate effect upon the workers in the industry. They are now suffering under the double impact of a high rate of technological change and intense competition among different fibers, processes, and products. Thousands of workers have been displaced and thrown onto a labor market where few opportunities for alternative employment exist. It would be unfortunate to add to the workers' dislocations and anxieties by threatening the continued existence of those branches of the industry which would be seriously affected by foreign competition. Moreover, the lowering of tariff rates would create further dislocations without providing a substantial permanent market for the foreign textile industries in this country.

We are impressed with the unusually high level of unemployment in our industry at a time when the country is enjoying a high level of employment and business activity. The high rate of displacement of jobs because of technological and style changes is of a continuing character and therefore any move which would add to the difficulties of the industry would have lasting effects upon the economy and would seriously aggravate the problems of the unemployed.

The utmost care must be employed in a review of tariff rates on textiles at this time. We submit the following propositions as basic to the consideration of the textile tariff problems:

1. A high level of unemployment prevails in many divisions of the textile industry. Alternative employments are limited in textile areas.
2. Current technological changes, interfiber, interprocess, and interproduct competition are threatening many more jobs.
3. In view of the prevalence of unemployment this is an inopportune time for further concessions which would complicate the adjustment process.

4. Certain branches of the textile industry included in the current negotiations are the branches of the traditional industries which have the best chance for continued survival in interfiber competition and therefore should not be threatened by a new increase in the volume of imports.

5. The industry has lost many foreign markets and export volume has been sharply reduced and is further threatened.

6. Concessions to Japan under most-favored-nation treaty will extend to all world textile exporters.

7. Textile imports should not be conceived as primary sources of international trade for countries involved in the proposed negotiations.

8. The maintenance of an adequate American textile industry is essential to our national standard of living, position, and defense.

9. The American textile industry is one of the largest of all national textile industries and its position must be maintained.

10. Protection of the American industry has had few unfavorable effects upon the American or world textile economy.

11. The tariff mechanism is a faulty determinant of the flow of textiles and is complicated by current raw material price policies.

12. Concessions should not be negotiated for products which are primarily supplied by countries other than those with whom negotiations are contemplated.

13. Limited types of imports of textile products can contribute to new ideas, developments, fabrics, and designs but they should not come in such volume as will destroy segments of the American industry.

14. We urge the promotion of international fair labor standards in the world textile industry to avoid competition on the basis of exploited labor.

I. A high level of unemployment prevails in all divisions of the textile industry. Alternative employments are limited in textile areas. Textile workers are older persons so that reemployment proves difficult; periods of unemployment prolonged; many exhaust unemployment benefits; large numbers prematurely forced out of labor market.

Unemployment is currently widespread among textile workers throughout the country. The number of workers in the textile products mills in October 1954 was 988,000, which is 281,000 less than in February 1951. This is the net reduction in jobs. The total number displaced is much greater, as many who lost their jobs have been replaced by others.

All textile areas are suffering from this unemployment (see table I). One hundred and seventeen thousand jobs were lost to the industry during the past 2 years in New England, 85,000 in Middle Atlantic States and 52,000 in the South. The largest employment reductions were suffered in Massachusetts and Pennsylvania and substantial losses were also registered in several Southern States.

As textile mills are generally located in nonmetropolitan areas, frequently comprising one-industry or one-mill communities, alternative employments in the locality are lacking. The slump in textile employment therefore depresses entire communities and leaves workers and their families stranded. The significance of this concentration is borne out by the fact that 5 of the 8 major areas in the Continental United States which are designated "areas of very substantial labor surplus" by the Bureau of Employment Security, are textile areas. In addition, 4 smaller textile areas are classified in this category (having 12 percent more of the labor force unemployed). There are also 20 textile areas (including 7 major communities) in the substantial labor surplus classification, i. e., with more than 6 but less than 12 percent of the labor force unemployed (see table II). These communities have not prepared for this situation with new industrial developments. The people have a lifetime investment of skills in the textile industry.

The concentration of textile manufacturing in the States along the Atlantic seaboard makes these areas peculiarly dependent upon the industry. The proportion of total manufacturing employment accounted for by the textile industry is in excess of 50 percent in North and South Carolina and more than 25 percent in Rhode Island and Georgia. In addition, substantial proportions of the factory employment in New Hampshire, Maine, Massachusetts, Vermont, Connecticut, Pennsylvania, New Jersey, Virginia, Alabama, and Tennessee are provided by the textile industry.

Many thousands of the textile workers who are unemployed have no prospect of reemployment in their communities because the mills in which they were employed are permanently closed. At least 556 plants in the major branches of the

textile industry (cotton and rayon, woolen and worsted, and dyeing and finishing, have been liquidated since the end of the war, throwing more than 144,000 workers out of their jobs (see table III). Many of these are located in isolated communities where no opportunity for other employment exists. As a result, with year ended June 30, 1954, almost 100,000 New England workers were unable to find jobs during the period covered by unemployment compensation, exhausting their benefit rights.

The effect of the current drastic contraction in the textile industry is being felt particularly by the older workers because this industry has an unusually large proportion of mature and middle-aged employees. Mill liquidations and reductions in employment are most severe in the areas with the oldest work populations. The latest study of the ages of workers establishments covered by the old-age and survivors insurance shows that the proportion of male workers 65 years of age and over was 5.2 percent in textiles as compared with the average for all manufacturing industries of 2.7 percent.

The older workers are the chief sufferers from mill liquidations. They have the greatest difficulty in finding new jobs when the mills in which they have been working—frequently for several decades—shut down. The skills which they have acquired over the years are largely wasted as there has been little transferability of skills from the textile industry to the industries which are growing in textile areas. Indeed, the recruitment policies of the firms which are expanding militate against the employment of former textile workers because of the emphasis on hiring young people. As a result, thousands of able-bodied men and women are being relegated to a new industrial scrap heap.

The insurmountable obstacles faced by older workers seeking employment as a result of technological displacement or plant shutdowns are indicated in a number of surveys conducted in recent years on the experience of the labor force of liquidated textile mills. In July 1947, the Oakes Mill in Bloomfield, N. J., was closed permanently and the union surveyed 132 of the former employees a year later to determine their experience in obtaining employment. While 63 percent of the workers had found some job during the year following the mill's closing, only 6 percent of the workers aged 65 and over had been so fortunate. Moreover, while 44 percent of the workers were still employed on the date of the survey (July 31, 1948), none of the 65 and over group had retained his job.

In May 1948, the Esmond Mills in Esmond, R. I., was liquidated and a union survey of 628 former employees in November 1948 revealed that while 48 percent of the workers were able to obtain a job in the half-year following the mill's shutdown, the proportion of successful job seekers dropped sharply after the age of 50; in the 40-49 bracket, 56 percent had obtained a job; 30 percent in the 50-59 class, 28 percent in the 60-64 class, and only 15 percent in the 65 and over category. Similar disparities were indicated in the distribution of former Esmond Mill workers who were employed as of November 30, 1948: while 39 percent of all workers were employed, only 15 percent of the 65 and over group had a job.

In 1952, the staff of the committee of New England of the National Planning Association conducted studies of the postliquidation experience of employees of two textile mills. The report of the committee is currently in the process of publication. It will show that there was little transference of skill levels among those who were able to find jobs. With regard to one of the plants studied (a New Hampshire woolen and worsted mill) the committee found that 13 percent of the labor force withdrew from the labor market after losing their jobs, most of these being older workers, particularly women past 60 years of age.

A study currently under way by the bureau of business and economic research of Northeastern University in Boston has resulted in the interviewing of 756 workers from 3 liquidated mills in New Hampshire and Massachusetts (1 in Fall River and 1 in Lowell). William H. Miernyk, director of this study, has reported the first findings as follows: displaced textile workers are generally not being absorbed by the "growth" industries. "New industries evidently are filling jobs with newcomers in the labor market instead of with displaced textile workers, according to the bureau's findings," reports Business Week, March 6, 1954. "In Lowell, younger male workers found new jobs, but those over 45 years of age still were largely unemployed after a year * * * In New Hampshire * * * 2 years after the shutdown, almost a third of the 200 laid off in the woolen mill were still out of work."

The above report of the committee of New England concludes that "job displacement as a result of the liquidation or migration of a mill or factory is particularly hard on the older worker. If a worker past 50 years of age can continue at this

present work, he may have many years of productive and remunerative employment left to him. If he loses his job most employers will be reluctant to hire him. He may be barred from productive work at a relatively early age and he may be forced to accept such casual employment as comes his way or to withdraw from the labor force entirely."

The prevalence of these circumstances in the textile communities makes it vital for us to insist that no concessions in tariff rates be granted which would aggravate this condition.

II. Current technological changes, interfiber, interprocess and interproduct competition are threatening many other jobs

The record of postwar technological changes in the textile industry is most impressive. The advances of modern technology are penetrating the American textile industry and affecting processes, procedures, mill layout, and mill management. It is not our purpose herein to provide any detailed sketch of these changes. We mean merely to indicate that productivity per man-hour is rising primarily through the reduction of manpower. The current rate of increase is in excess of 5 percent per annum. The large numbers of employees already displaced is a symbol of the more far-reaching difficulties facing the textile worker. Older skills and personal associations are being eliminated by these advances.

A measure of the amount of technological change is provided by data on textile-mill expenditures for new plant and equipment reported by the Department of Commerce. Since World War II the industry's expenditures have amounted to over \$4 billion. The bulk of these expenditures was for the purchase of new equipment rather than new buildings. Moreover, the rush of new equipment suggests strongly that there are new and more far-reaching changes on the drawing boards and in the pilot stage. These are radically changing the production methods in the industry.

These new innovations are of many kinds. The most dramatic is, of course, the introduction of new fibers. Rayon came in the thirties. Nylon was truly the fiber of the early postwar period. Now orlon and dacron have gained substantial footholds, displacing the older textile fibers. Saran, glass, dynel, and other fibers are being produced. Silk was dealt a striking blow by nylon. Wool is now being seriously threatened by dacron and other synthetics in the suiting fields, by synthetics in the floor-covering area, and by new chemical finishes which provide insulation.

The mills whose products are being displaced generally cannot handle the new fibers. Plants which had not manufactured these products have come into the field to take the place of the traditional producers. Ghost towns are beginning to develop and workers are left stranded.

Older textile industries are being revolutionized by new machines. They are sturdier, faster, run more smoothly, telescope processes into fewer operations, and reduce the amount of labor required for their operation. Parts are being added which facilitate the operation and thereby reduce subsequent processing. Better mechanical and new electronic controls are increasing the precision of each operation and make them more and more automatic. Material is being mechanically delivered and removed. Better layouts are reducing the required floorspace and the amount of handling. Fans, blowers, and suction pipes are eliminating much of the manual cleaning. Oiling is being done by mechanical oiling systems or parts are being inserted which require little oiling. Air-conditioning is improving operations and reducing yarn breaks. Better parts are insuring longer life, less replacement, and less maintenance.

These changes can be found in each division of the industry. One-process pickers and material-handling devices have sharply cut the manpower in the opening and picking operations in the cotton mills. New drawing frames and long draft devices have telescoped the roving and spinning operations. Winding has become so automatic that the work force on these operations is a mere fraction of the labor required in prewar mills. Warpings have been speeded; slashers have been made more automatic. Looms have been speeded and made more versatile, and more revolutionary changes are impending.

In the woolen industry opening and picking have been mechanized. The mules have been displaced by spinning frames. High-speed winders and warpings have replaced older equipment. The nonautomatic loom has practically disappeared. In the worsted industry the most radical changes have been the introduction of the pin drafter and long draft-frame spinning which have radically reduced manpower complements.

The finishing processes on all fibers have been revolutionized through the introduction of ranges which combine several operations in continuous processes with machinery which is controlled through instrumentation.

But these changes have also been accompanied by process competition. Cotton-type spinning equipment is making great inroads in the worsted-type processing of long fibers. The conversion of tow into yarn is competing with the spun-rayon manufacture. Bonded fibers and roving are competing with fabrics, yarns, and ropes. Knitted products are supplanting woven products in many areas. Tufted carpets are replacing woven ones. Synthetic filament fabrics are displacing spun-yarn fabrics of different fibers. Finishing processes are being required to perform services which the weaving industry had formerly done.

In addition to these changes, the textile industry is losing out to other products. Plastics are substituting for textile fabrics in some uses such as automobile seat covering, household uses such as draperies, tablecloths, seat coverings, packaging. Paper products have displaced textiles in household uses such as towels, napkins, bookbinding, packaging, etc.

The increase in the rate of technological change has also affected management. The accent today is on efficiency. Management has been reorganized to exercise centralized control over production. New techniques have been developed to safeguard quality. Mechanical controls have been introduced at virtually every point in the manufacturing process. Time and motion study methods have been used to improve plant layout and raise work assignments. Incentive wage systems have been more widely adopted. The chief objective, and chief result, of this pursuit of efficiency has been to reduce the labor required per unit of output.

On top of all these technological and fiber changes the textile industry has been hit hard by marked changes in consumer tastes. With millions of families moving to the suburbs, taking up backyard sports and putting around home workshops and gardens, interest in attire has been lessened. Television has helped make the home the focal point for leisure-time activities. As a result, apparel has become a more casual item in the consumer budget and casual wear has become acceptable for a multitude of uses formerly requiring dressy attire. Thus, production of men's suits fell to 21.8 million in 1953, a decline of 25 percent per capita from the 1939 level. Along with this trend toward casual attire there has been a marked shift toward lighter clothing and housefurnishings. Men's overcoat and topcoat production in 1953 was at the same level as in 1939 in spite of the rise in the population of males 18 years and over of 17 percent. Blankets and comforters are among the other products which have felt the impact of these trends.

The net effect of these shifts in popular preference and the vast increase in consumer indebtedness flowing from the postwar boom in housing construction and consumption of durable goods like TV sets, automobiles, refrigerators, and the like, has been a sharp decline in the proportion of total consumer expenditures going for apparel. From 10.4 percent in 1946 this proportion declined to 7.3 percent in 1953 and the 1954 ratio will probably be less than 7 percent. This proportion is well below the prewar level of 8.6 percent recorded in 1939.

The combined result of these changes and shifts has been a serious blow to the workers in the industry. Such industrial transitions are rarely easy even when other jobs are available. The new openings seldom arise at a time and place where displaced workers can take advantage of them. Moreover, the long-term trend in the consumption of textiles is not reassuring. The higher productivity of the industry is not being matched by a rise in the per capita consumption of textile products. New uses have not arisen. Further contraction of employment opportunities in this industry appears inevitable even in a period of relatively high employment in the economy as a whole.

We are therefore particularly concerned lest the number of jobs be further reduced through the substitution of foreign products for American output.

III. Certain branches of the textile industry included in the forthcoming negotiations are those with the best chance for continued survival in inter-fiber competition and therefore should not be threatened by a new high volume of imports

A number of branches of industry as indicated above are faced with serious competition from new fibers and processes. These are bringing critical problems to the fore. However, several branches of the industry subject to the forthcoming negotiations are the ones in the best position to survive this competition and thereby moderate the degree of disturbance within the textile industry. The workers involved will continue to be subjected to the sweeping technological

changes now being effected. It is essential to avoid challenging the survival of these branches through a higher volume of imports.

The products which are in a good position to provide a degree of stability to the industry during these difficult times are, among others, the following:

- Fine cotton fabrics (par. 904).
- Velveteens (par. 905).
- Sheets and pillowcases (par. 911 (b)).
- Lacings (par. 912).
- Staple fiber (par. 1302).
- Bureau and table covers, etc. (par. 1529 (a)).
- Quilts and bedspreads (pars. 911 (a) and 1529 (a)).

Specific discussion of a number of other items will be presented in a detailed analysis of the specific commodities.

IV. Textile imports should not be conceived as a primary source of international trade for countries involved in these negotiations

One major problem is formulating tariff policy is to determine whether the encouragement of the imports of textiles into this country will in the long run be desirable for these countries. Can they be expected to maintain long-run advantages? Can they be expected to maintain a textile-export industry?

Current technological product and fiber changes in the American textile industry point to large-scale reductions in labor requirements per unit of output. A significant proportion of these technical changes are American in origin and spring from our needs and technical culture. Moreover, the increased penetration of modern scientific development in the textile industry of the United States is suggestive of the continuing future volume of changes.

In the utilization of these technical innovations, the American industry enjoys many advantages which assure its wider use of these developments. First is the great wealth of the American textile industry. Its huge war and postwar profits have resulted in the amassing of tremendous capital resources which, at the end of 1953 amounted to \$6.2 billion as compared with \$2.5 billion at the end of 1939. The industry can afford to spend freely for innovations. Some new textile buildings are coming up to exploit the advantages of modern plant design. In contrast, other countries do not have the money for complete modernization of their equipment and structures. Japan had one major experience in the postwar period but is not likely to engage in a similar program again. As time passes, the advantages of more modern productive capacity in the United States will probably become more marked and should offset the differences in wage rates.

Our textile manufacturer is acquiring an increasing knowledge of the procedures and methods followed in other American industries. They are being introduced into the textile industry. These procedures are particularly adapted to our large mass market. Textile production and marketing techniques are feeling the influence of the introduction of characteristic American industrial techniques. By converting the industry into a modern one, the American product becomes less vulnerable to foreign competition.

Our working population is also best prepared for the operation, maintenance and development of the newer technology. The new, precision-built machines need a highly trained operative who can keep records and understand the principles of production.

The textile worker has been converted into a machine tender after serving years as an artisan. Now he is being increasingly required to be the operator and regulator of complicated machines which involve refined use of electronic techniques and instrument controls and careful recording of observed performance. The high level of education makes it easier to install these techniques on a wholesale scale in this country.

The large-scale organizations in this country with accumulations of capital, scientific knowledge and skilled technical, production, and merchandising personnel, provide a base for the introduction and rapid extension of technological changes.

In contrast, the other countries of the world are short of capital, lacking in facilities for large-scale modernization, and suffering from a shortage in trained personnel. The more advanced industrial countries are likely to find, as England is concluding, that there are more attractive avenues for investment of such capital as it does have available. In the search for relative returns on various type of industries, textiles will rate very low in advanced countries and in Japan.

Another phase of the problem is the determination as to whether the foreign countries are likely to maintain a large volume of textile exports. There has been an expansion of textile capacity into new countries and in older

industrialized countries, despite the destruction of equipment during the war. Among the countries which have expanded cotton-goods production are the following: India (from 3.9 billion yards before the war to 4.9 billion in 1953); Pakistan (240 million yards in 1953); Chile (from 14 million yards before the war to 28 million yards in 1952). Total world consumption of cotton has risen by 10 percent since 1939 (from 30.6 million bales in crop year 1939 to 33.4 million in crop year 1953).

The significant fact about the volume of production is that it has been moving into new areas. With this expansion has come the contraction in the volume of international trade. While total production of textiles has expanded over the last few decades, the volume of international trade has steadily declined. In cotton textiles, world trade was estimated at 9.5 billion yards per year before World War I. The volume declined to an average of 8.5 billion in 1926-28, to 6.4 billion in 1936-38 and was 5.8 billion in 1951-53. The production of total consumption supplied by domestic production was 82 percent in 1936-38, as compared with 73 percent in 1926-28. In 1951-53, the proportion of consumption provided by domestic production of cotton goods was approximately 88 percent.

There is every indication that these trends are being continued. The newly industrialized countries are determined to provide their own textiles and reduce their dependence on textile imports.

We believe that it is unwise to build up any significant degree of dependence in these countries upon the export of textile products. Moreover, these very countries are likely to have to expand their own consumption of textiles in order to raise the standard of living of their own peoples. The more advanced industrial countries, some of which are included in these negotiations, must look toward more productive channels for their industrial expansion. One such channel may well come through the utilization of their textile experience in the production of textile equipment.

V. The maintenance of the American textile industry is essential to our national standard of living, position, and defense

The American textile industry has developed many characteristics peculiar to the American market. Unlike the textile industries in other countries, its products are designed for mass production and consumption of quality merchandise. The manufacture and distribution of apparel fabrics is responsive to the desire for an economic product which meets style trends prevailing in this country. The great middle-class provides the pattern for our goods.

Our producers are constantly developing new effects and products which can gain favor in the American market. Innovations must be devised and experimented with in this country. The very nature of the style trends requires proximity to the market and close understanding of the underlying trends within the society.

The textile industries in other countries have been differently fashioned. They have either sought to meet the needs of the lowest income groups or the luxury trade. They have grown up in periods when mass markets were not available. They have emphasized short runs for the international luxury trade or large runs of staple fabrics for special export markets. They reflect the patterns of the economies in their countries, in which the distinctions in consumption patterns among various income levels are much sharper than they are in this country.

In the field of household fabrics the same trends may be noted. We have an emphasis on mass consumption even of the more highly priced fabrics. Our large expanse makes this possible. The ready acceptance of new style trends makes it easy to introduce the higher priced material in great volume. The foreign textile producers have not adjusted themselves to this type of production and merchandising.

We wish also to point out that it is essential to maintain the textile industry of our country to furnish us the textile products needed for military defense. The capacity which was considered excessive in the prewar years proved indispensable to military victory. Cotton production was expanded to 12 billion yards, woolen and worsteds to one-half billion yards and rayon to 1.5 billion yards, and many other textile products were turned out. Without them we could not have clothed the large armies we put into the field nor met the large needs of our allies. Nor could the industries of our country have been kept going. No combination of countries in the world could have performed the assignment in textile production which we met. It is, therefore, vital to keep this capacity available.

VI. The American textile industry is one of the largest of all national textile industries and its position must be maintained

By clearly comprehending the size and proportions of the American textile industry, we can appreciate the degree of caution which one must use in proceeding to affect its ability to meet the country's needs.

(a) The total number of employees covered by all sections of the textile products and synthetic yarn industry in December 1953 was 1,200,000. (Textile mill products plus textile bags, handkerchiefs, curtains, draperies and other textile housefurnishings, and synthetic yarn fibers.)

(b) These workers constitute a substantial proportion of the total employment in a number of States along the Atlantic seaboard.

The high concentration of textile employment in several States is significant for several reasons: (1) It suggests the absence of local alternative employment; and (2) the dependence of vast areas of our country upon this industry. The industry has deep roots in many local and State economies. The largest proportion of the industry is located in the nonmetropolitan areas. They are concentrated in one-industry and sometimes one-mill communities. Alternate opportunities and facilities for transfer are completely lacking. The disappearance of industries in many areas means migration for the workers as new local industries are not usually available. The communities have been backward in securing diversified industrial development. Textile employers in many instances have discouraged such diversification. Such migration as will result would have to be out of the regions affected. It is therefore vital to legislate with great care.

Employers and our private economy have blindly pushed ahead in the pursuit of their profits and left ghost towns and displaced thousands of persons. We call upon the Government not to aggravate the condition of the textile communities.

(c) The American textile industry is one of the largest in the world. As of July 31, 1953, we had 22.9 million cotton-system spindles in place, 18 percent of the world's total. In the year ending July 31, 1953, we consumed 9,457,000 bales of cotton, over 28 percent of the total consumed in the world. Per capita consumption of the 3 major apparel fibers in the United States was 16.9 kilograms in 1952, compared to a world average of 4.0 kilograms.

The destruction of the textile capacity of this country would be a disservice to the world economy. It would aggravate the net deficit in textile producing capacity which is likely to exist over the next several years. The lifting of the standards of living in all parts of the world will require an expansion of consumption. A destruction of capacity would therefore be undesirable. The development of a fund of dollars for international trade must come from other sources.

VII. Protection of the American textile industry has had few unfavorable effects upon the American or world textile economy

One of the complaints against protection has been that it results in monopoly and consequently high prices. This contention cannot stand up in the case of the textile industries.

Most of the American textile industries have been highly competitive as to price. The reductions in costs of production through technological developments have been transmitted to the consumers. In fact, during the thirties, the consumers reaped the greatest benefits so that the workers were kept at substandard wage levels.

I may be confidentially declared that textiles are now better and cheaper the world over because of the contributions made by the American industry. More recent changes have been initiated in this country than in any other. The American environment has been and is at present conducive to technical advances. No other country has made the strides we have and we have shared them with the rest of the world.

Prices of American textiles at the present time are, with few exceptions, within the range of reasonableness which is to be found in American industry.

We have established the highest wage levels in the textile industry the world over and therefore have provided a wage target toward which textile workers in other countries might aspire. We have not attained the wage levels of the large modern industries characteristic of American production but our organization is determined to move in that direction. Average straight-time hourly earnings in the textile industry are now \$1.33. In the synthetic yarn industry the average hourly earnings are \$1.80.

The textile industry in the United States has been the most technically progressive one in the world. It has contributed substantially to the advances in foreign technology, styling, and merchandising.

VIII. The tariff mechanism is circumvented by foreign government policy and is complicated by current raw material price policies

The tariff mechanism is based on the assumption of a free market in which only commercial considerations enter into the determination of the final selling price. This assumption is no longer characteristic of most foreign countries. In many countries, industries enjoy special advantages in the form of subsidies either in the purchase of equipment or raw material or in the sale of goods to foreign countries. The final costs are not truly representative of those common to a private industrial enterprise. The wholesale manner in which subsidies are applied considerably affects the competitive situation. Prices offered by foreign sellers may not truly represent the comparative advantages of their countries in the production of various goods for international trade. These unusual price determinants are now strongly affecting the flow of commerce. To protect the American textile industry from low wage and subsidized industries, the tariff rates must be maintained.

The current Japanese experience highlights this fact. A cutback of some 15 percent in cotton spinning is being contemplated to dispose of a surplus of stocks and to effect a rise in export prices. Various attempts to check the dominant trend in export prices had failed because mills which had previously agreed on a voluntary reduction had violated the agreement. Japanese stocks of cotton goods at the end of June had risen to 420,000 bales. While exports during the first 9 months had increased from 924 million square yards to 634 million square yards prices had dropped more than 25 percent. The Japanese cotton manufacturers carrying large debts at high interest rates given to them by banks dependent on Government aid felt compelled to dump goods on the world market almost in the prewar manner in order to keep ahead of the banker.

In the textile industry we have another serious problem, arising in connection with the prices of raw materials. American cotton prices are maintained by an internal price-control program which has raised them to abnormal levels. They are unrelated to the actual costs of production. If it is desired to relieve the foreign drain on American dollars, there is a suitable procedure for doing so by lowering the prices of raw cotton exports. They are a heavy call on available dollar exchange. If this country is intent upon protecting the price of raw cotton and maintaining a market for cotton in the United States, then the cotton textile industry must not be victimized by a flood of foreign imports.

We have been financing the export of raw cotton to Japan. Now in order to permit that country to pay, we are being urged to permit the Japanese to displace American textile products so as to provide them with dollar exchange to repay in part the cost of the cotton we sent them. The result is that we are asking the cotton textile industry to be sacrificed for the large raw cotton growers with little ultimate benefit to them. Since each yard of Japanese cloth sold in this country will displace a yard of American cloth with a consequent loss of an equivalent American market for raw cotton. Moreover, the prices paid by Japan for cotton are exorbitantly high as they are for the American consumer. The American taxpayer, including the textile worker has underwritten these high prices. We are, therefore, financing the very forces which seek destruction of major sectors of the American cotton-textile industry.

We are being asked in the interest of cotton growers who have forced the sales, to help Japan pay them, and the Government endorsed loans.

The textile workers are being asked to yield their jobs to help cotton growers continue to sell their surpluses to Japan as the growers have been unwilling to curtail their acreage in the degree necessary to obviate this necessity. We do not believe that the textile mill industry should be sacrificed to get the growers out of difficulty which they have brought upon themselves and which course can be of no ultimate profit to themselves.

In the case of wool, another price problem exists. Our domestic wool industry is protected by tariff rates and financial grants. The domestic consumption of woolen products is handicapped by the constant rise in raw wool prices. If they continue to increase on the international market, the woolen products may truly become luxury items. One of the ways in which to reduce the cost and thereby assure a higher volume of raw wool imports is to eliminate the raw wool tariff and increase the direct financial aids to the domestic woolgrower. But if the present tariff on raw wool is maintained, the tampering with tariff rates on

woolen products will only have adverse effects on the consumption of wool in this country. The program designed to protect domestic woolgrowers will also be injured. The soundest solution is a program of lower tariff rates for raw wool and an income support program for woolgrowers.

The Textile Workers Union of America, CIO, has affirmed its keen interest in a restudy of the agricultural price practices in this country. Certainly, the present program, except for the new wool payments system, benefits the small farmer only moderately and pays off substantially to the larger farmers. The domestic consumer pays twice for this program, through high prices and high governmental expenditures. The conflict in approaches between the foreign trade program and the agricultural price program is brought sharply into focus in the discussion of textile items. To allow any substantial increase in the volume of imports of textile products would be injurious to the agricultural program. Present high prices are also reducing the consumption of textiles. The way to approach this basic question is not by adversely affecting the textile producing industries. It is by finding a new method of aiding the agricultural population which would lower raw material prices, encourage expanded consumption, and assure adequate income to farmers and growers, provide foreign countries with lower priced raw materials, and allow for higher imports of raw materials.

IX. Concessions should not be negotiated in the forthcoming discussions for products which are primarily supplied by countries other than those with which the negotiations are to be carried on

A number of the products up for negotiation in the forthcoming discussions are substantially supplied to the United States by countries other than Japan. Thus, in 1953, the United Kingdom was the largest source of United States imports of bleached countable cotton cloth (3,934,000 square yards, as compared to imports from Japan of 2,102,000 square yards) (Tariff par. 904 (b)). India was the major supplier of imported quilts and bedspreads, block printed (excluding Jacquard-figured), accounting for 71,707 of the 102,959 articles imported; only 9 came from Japan (Tariff par. 911 (a)). The Republic of the Philippines accounted for imports of 180,143 dozen pairs of knitted gloves and mittens wholly or chiefly cotton or other vegetable fiber, compared to 83,555 dozen from Japan (Tariff par. 915). Belgium shipped us 5,802 terry-woven towels (not under 45 cents each) and we received none of this category from Japan in 1953 (Tariff par. 923).

In schedules 10, 11, 12, 13, and paragraph 1529, most articles currently under consideration are predominantly supplied by countries other than Japan. In fact, the 1953 record shows no imports from Japan in the following categories:

Jute yarns or roving (single) and sliver (par. 1003)

Jute webbings (par. 1015)

Jute bagging (par. 1019)

Wool blankets (par. 1111)

Wool floor coverings, not specifically provided for, valued over 40 cents per square yard (par. 1117 (c))

Silk gloves and mittens, not embroidered, no lace (par. 1208)

Rayon and other synthetic yarns, except single yarns weighing 150 deniers or more (par. 1301)

We believe that it is desirable that these products not be included in the discussions since the principal beneficiaries from any concessions would not be required to reciprocate.

X. Limited types of textile imports can contribute to new ideas, developments, fabrics, and designs; but they should not come in such volume as will destroy segments of the American industry

We recognize that there is a place for a limited import volume of specialized textile products. These can offer new ideas in design, pattern, use, and style. We can learn much from foreign countries. In fact, some of the products imported into this country can stimulate domestic interest and demand for textile products. But these imports must be selective. The present tariff rates allow for such imports. They have come in. No prohibition of textile imports is contemplated by the present tariff rate structure.

XI. We urge the promotion of international fair labor standards in the textile industry to avoid the production of textiles on the basis of exploited labor

We wish to point out that the labor movements of various countries recognize that low earnings and substandard working conditions and long hours have provided unfair competition with the workers in other countries.

Many of the complaints of unfair competition built on low wages could be eliminated through the negotiation of fair minimum labor standards for all textile-producing countries.

We shall submit specific data and analyses on the individual items to be considered in the negotiations.

TABLE I.—*Employment in the textile mill products industry by State, February 1951 and October 1954*

State	Employment (wage and salary workers)		Change from February 1951 to October 1954	
	February 1951	October 1954	Aggregate	Percent
	Thousands	Thousands	Thousands	
United States ¹	1,365	1,082	-283 0	-20 7
New England.....	286 1	169. 5	-116. 6	-40. 8
Maine.....	27. 5	20. 8	-6. 7	-24 4
New Hampshire.....	21. 1	14. 1	-7 0	-33. 2
Vermont.....	5 2	2. 4	-2 8	-53. 8
Massachusetts.....	125 0	66 8	-58 2	-46. 6
Connecticut.....	41 6	26. 9	-14. 7	-35. 3
Rhode Island.....	65. 7	38 4	-27 3	-41. 6
Middle Atlantic.....	307 2	222. 6	-84. 6	-27. 5
New York.....	96 1	69 0	-27. 1	-28 2
New Jersey.....	65 8	46 0	-19 8	-30. 1
Pennsylvania.....	141. 7	104 9	-36 8	-26 0
Delaware.....	3 6	2 7	- 9	-25 0
South ¹	658 1	605. 7	-52 4	-8. 0
Maryland.....	11 6	7 6	-4. 0	-34. 5
Virginia.....	42. 7	38. 4	-4. 3	-10. 1
North Carolina.....	244 2	244 3	-19 9	-8. 1
South Carolina.....	139. 8	132 4	-7 4	-5. 3
Georgia.....	114. 8	104. 1	-10 7	-9 3
Alabama.....	55. 5	47 9	-7. 6	-13. 7
Tennessee.....	39. 9	34 9	-5. 0	-12. 5
Texas.....	10. 2	8 9	-1. 3	-12. 7
Midwest.....	22. 1	17 3	-4 8	-21. 7
Illinois.....	13. 5	11. 1	-2 4	-17. 8
Minnesota.....	4. 9	3. 1	-1. 8	-36. 7
Missouri.....	3. 7	3 1	- 6	-16. 2
Far West.....	8. 2	6. 3	-1. 9	-23. 2
California.....	8. 2	6. 3	-1. 9	-23. 2

¹ Data includes States not shown separately.

² October 1954 figure is not available; figure shown is for August 1954.

³ October 1954 figures are not available; figures shown are for September 1954.

Source: State Departments of Labor and U. S. Bureau of Labor Statistics.

TABLE II.—*Textile areas of substantial labor surplus, September 1954.*

Substantial surplus¹

Very substantial surplus²

MAINE

Biddeford

VERMONT

Burlington

MASSACHUSETTS

Fall River ³
 Lowell ³
 Milford
 New Bedford ³
 North Adams

Lawrence ³
 Southbridge, Webster

RHODE ISLAND

Providence ³

NEW YORK

Hudson
 Utica, Rome ³

Amsterdam

NEW JERSEY

Paterson ³

PENNSYLVANIA

Reading ³
 Williamsport

Altoona ⁴
 Scranton ³
 Sunbury, Shamokin, Mount Carmel
 Wilkes-Barre, Hazelton ³

MARYLAND

Cumberland

WEST VIRGINIA

Parkersburg

GEORGIA

Cedartown-Rockmart
 Columbus ³

ALABAMA

Alexander City
 Anniston
 Decatur
 Gadsden
 Talladega

Source: Bureau of Employment Security, United States Department of Labor.

TABLE III.—*Textile mill liquidations, 1945-54*¹

	Plants	Employees		Plants	Employees
1945	2	600	1950	51	5,500
1946	8	1,000	1951	65	9,600
1947	28	8,000	1952	92	27,800
1948	65	15,000	1953	86	23,500
1949	74	16,400	1954	85	38,000

¹ Includes spinning, weaving, dyeing, and finishing plants; excludes knitting and synthetic fiber plants.

Mr. BARKIN. I should like to indicate the nature of my testimony because in a certain sense if we had the time I think the members of your committee would have been most interested in hearing the points of view which we presented because our organization is a labor organization.

It is affiliated with the Congress of Industrial Organizations which has long been known as an organization identified with the liberal trade forces of this country.

¹ Unemployment from 8 up to 12 percent of labor force.

² Unemployment 12 percent or more of labor force.

³ Major area.

I myself as an economist associated with industry and the union for many years have great sympathy for the promotion of international trade.

My general outlook is that associated with those who are very much concerned with the promotion of a full employment economy and consequently, my views and those which I present here are in sharp contrast to those promoted by people of similar outlooks and general philosophy political philosophy and consequently are in that respect distinctive and should be presented rather elaborately; but I am restricting myself to a few statements so that that point of view will be made known.

Senator CARLSON. Mr. Barkin, if you will permit, we had earlier at the beginning of these hearings Mr. Carey of the CIO who made a very splendid statement in regard to their position on it. Are you in disagreement with Mr. Carey?

Mr. BARKIN. We point out in my statement here that our organization appeared before the committees of the CIO, the resolutions committee, and succeeded in having added to the resolution of the CIO conditions concerning their position on international trade which added the words "such tariff reductions shall not be destructive of basic American industry." Those two conditions were added to Resolutions 39 and 61, which were read into the record by Mr. Carey.

Those two conditions in our opinion present a concern that the American free-liberal trader has recently developed because he has become more sensitive to the destructive effects which the reckless, inconsiderate and unselected lowering of tariff rates might impose upon American industry and in my statement we elaborate just how that was effected and our interpretation of that.

We believe that our success in having a group such as the CIO to make a condition with respect to its position and as fundamental as that is symptomatic of the change in public attitude which should be reflected in the legislative action undertaken by the Senate and the two bodies jointly.

It is indicative that the unqualified position of liberal trade which was presented here time and time again has to be given a fresh thought and a fresh review and cannot be adopted with the abandonment and without the qualifications such as is suggested by the bill here presented to you.

In connection with this statement I might also say that we are very much impressed that we are placing excessive emphasis on the importance of the trade aspect of our international economic problems as a solution for greater balance, particularly in its emphasis on tariff rates.

In my statement I elaborate this concept which has become more and more positive, though frankly unfortunately not presented to the people as frequently and as forcefully as it should.

Tariff rates do not make trade. Trade flows from relationships complimentary and supplementary of nations.

Unfortunately the pattern of trade among nations is only slowly evolving in the postwar world and we are not doing enough in the promotion of a pattern of supplementary and complimentary industry so as to promote such international trade.

Unfortunately many of the advocates of liberal trade mistake the mere reduction of a tariff rate as being an opening door to greater trade.

Frankly, many of the tariff reductions which might be affected through such acts as this may not invite or cause any additional trade at all.

But what is important is that many of the reductions which will be affected will have their impact on the traditional industries of this country, which will be very seriously affected because these are the older industries found in these other countries which have been created and which have coexisted with us and from which culture we have sprung. And the newer countries, the underdeveloped countries, are trying to develop traditional industries such as textiles and in their anxiety to secure foreign trade are overplaying the possibility of securing foreign markets.

The rest of my statement speaks of the fact of our conviction that while there are imports into this country of the type involved in the traditional industries, which are largely jeopardized, or in the words of the President, are jeopardizing, and which are industries that have a high labor content in terms of sales dollar.

While we have large amounts of unemployment in this country, because at the present time it ranges between the 3½ million officially recorded and the 5 million which many of us believe to be a more proper estimate of unemployment—while that condition exists, the displacement of high labor content industry, in terms of sales dollar, would be an unfortunate fact to perform at the present time.

Two final comments: One relates to our experience under the escape clause. There is one division of the textile industry which has had an unfortunate experience before the tribunal handling the escape clause itself, that is the screening printing industry.

That matter has been elaborately unfolded. It is a very small industry.

As a matter of fact the number of employees is well less than 300 to 400 employees engaged in the screen printing of women's scarves. Most of the handwork which is performed on those screen-printed scarves is done in Puerto Rico. The issue before the President of the United States in reversing the recommendation of the Tariff Commission was whether or not he would allow the sewing industry manufacturing scarves, employing tens of thousands of people in Puerto Rico and the few hundred American workers who were much more skilled and more productive and produced at lower cost than the Japanese screen printers, to be displaced by the Japanese producers who were producing on contract of American manufacturers or sellers.

His decision was that the American industry and the Puerto Rican producers should be displaced by the Japanese. That decision was made unfortunately on the basis of arguments and conjectures which do, which will not be corroborated by studies and facts.

Unfortunately the people who wrote the President's decision set aside the facts presented by the Tariff Commission and our knowledge is and the Japanese concede that is the Japanese providers, that they have taken over the American market.

Unfortunately one consequence of that action has been that the consumption of scarves in the United States has declined.

And the result has been that the amount of silk fabric which is being used in the United States has declined. The total imports of scarves into the United States has declined and the total consumption of Japanese goods has declined as a result of the fact that they are now being manufactured in Japan and still trends have moved away from that garment because it is not being promoted adequately through American design immediately responsive to style trend.

My final comment relates to the Japanese textile industry. I was fortunate to visit Japan in 1953 on behalf of our Government and I visited some 30 different centers of the Japanese textile industry.

I think I can say with considerable conviction that the Japanese textile industry is fully aware of the problems which it faces.

It is a much smaller industry than the prewar industry. It is an industry which is divided into 2 major sections, 1 consisting of very large companies paying in the order of \$20 per month to employees working 48 hours a week and another group of manufacturers of small and medium-size plants who pay much lower wages than those in the large plants.

The Japanese textile industry knows that it cannot find markets either in Asia, broaden markets either in Asia, Latin America or ultimately in the United States.

It knows that the Japanese economy cannot rest on the textile industry. The reasons for these conclusions are rather obvious. Most of the Asiatic countries are building their own textile industry. India is a formidable competitor of Japan. And is displacing Japan in many foreign markets.

Indonesia which is now an important outlet for Japanese textile fabrics is developing its own.

Burma hopes in 5 years to have its own industry. The same is likewise true of the South American countries.

We believe that any real students of the problems of the Japanese economy knows that it is futile to encourage the growth of the textile industry in Japan as a basis and foundation for its economy.

It will not be an outlet for its goods just like England, France, Italy, and other exporters of textiles are finding to an increasing extent and just as we are. I would like to point out that the textile industry is now already suffering from a shrinkage of exports. Its markets during the postwar peak allowed for the export of somewhere near a billion and a half yards. It is now down to 600 million.

I think I can safely forecast that our markets for exports are going to shrink in the immediate future. The markets, our principal markets are Canada, Philippines, South America, Latin America, and South Africa.

Canada, the market in Canada is uncertain, because the new trade agreement with Japan will open up the market for Japanese textiles in Canada and therefore threaten somewhat close to 200 million yards of our exports there.

The Philippines are bound by a trade agreement with the United States which has a terminus. The South American markets are all uncertain ones, threatened intermittently threatening intermittently with lower tariff rates while permitting India and Japan to export to those countries.

I believe in conclusion that it is unfortunate that the proponents of liberal trade as so many others have said have failed to think through this problem.

If they were truly advocating liberal trade they could not look for the solution of this problem through a reciprocal trade agreement program or any such device as this.

They need a complete new vehicle for the promotion of broader and larger volume of international trade.

They are here merely inviting the destruction of the traditional industries, the industries which can be destroyed by other countries, which are themselves contracting their own traditional industries and in their anxiety to hold on are seeking export markets.

That would be an unfortunate fact and would not really help in the long run to rebuild the economies of those countries.

It is our hope that from the many identities you have heard here from many proponents and opponents of your bill that one properly should flow, namely the establishment of some commission and agency which should be devoted to the development of programs for the promotion of international trade rates than merely concerning itself with the problems of the increase or lowering of rates for the traditional industries which are vulnerable to exports and low-wage exports from other countries.

Senator CARLSON. Mr. Barkin, you have made a very excellent statement and I think I can assure you that this committee is sympathetic to your problems, of labor and industry and when we go into executive session we will give consideration to your entire statement which will be made a part of the record.

We thank you so much.

The next witness is Mr. Creshkoff, the American Veterans Committee.

STATEMENT OF A. J. CRESHKOFF, AMERICAN VETERANS COMMITTEE

Mr. Chairman and members of the committee, I am A. J. Creshkoff. My home is in Chevy Chase, Md. I am appearing before you today on behalf of the American Veterans Committee (AVC) of which I am a member.

The American Veterans Committee supports H. R. 1. As veterans we feel we have a special stake in all measures designed to strengthen peace and freedom in the world. This we believe H. R. 1 will do.

That is why we are particularly concerned with reports that some Members of Congress have received communications from their constituents saying, in effect, "I am a disabled veteran who lost a leg fighting the Japs. Now the Japs are trying to take my job away too. Please vote against the reciprocal trade bill."

We understand that many of these letters have been received from textile areas which are fearful of greater Japanese competition if the trade agreement with Japan, now under negotiation, is signed. Among our own members are veterans employed in the American textile industry so we are not unaware of, nor unsympathetic to, these fears.

Yet since appeals have been made in the name of veterans to oppose H. R. 1 on these grounds, we feel impelled briefly to examine what

appear to us to be the main economic facts of life about American textiles.

The textile industry, as we understand it, is going through a period of rapid technological change. J. A. Livingston, the well-known business economist, in his column in the *Washington Post and Times Herald* on March 6, 1955, pointed out that during 1954 production of American textile products rose by 13 percent. During the same period, however, employment in the industry declined 3 percent. As Mr. Livingston explains: "This is American capitalism in fulfillment. This is the improvement that industry has been striving for ever since the end of the war—increased output per worker through modern layout of plants, installation of new machinery, and a better trained work force."

That there appears to be plenty of room for technological improvements in the textile industry seems to have rather wide acceptance. Less well known, however, is the fact that management in this industry has been backward. This was emphatically asserted by George F. Doriot, professor of industrial management at the Harvard Business School, on March 11 before the Textile Research Institute, as reported in the *New York Times*. Professor Doriot, who was in charge of research and development for the Quartermaster Corps during World War II, charged the industry with "a lack of development, a refusal to permit educated young people to work out new ideas, and a tendency of top management to take it easy—spending the winter in Florida and the summer in Maine."

Technological improvements will undoubtedly increase as management—and labor, too—strive more vigorously to adjust in a positive way to changing world conditions.

The Textile Workers Union of America, who, by the way, have opposed any reduction in textile duties, themselves declared in a statement filed with the Tariff Commission last December:

Our textile manufacturer is acquiring an increasing knowledge of the procedures and methods followed in other American industries. They are being introduced into the textile industry. These procedures are particularly adapted to our large mass market. Textile production and marketing techniques are feeling the influence of the introduction of characteristic American industrial techniques. By converting the industry into a modern one, the American product becomes less vulnerable to foreign competition.

Our producers are constantly developing new effects and products which can gain favor in the American market. Innovations must be devised and experimented with in this country. The very nature of the style trends requires proximity to the market and close understanding of the underlying trends within the society.

The textile industries in other countries have been differently fashioned. They have either sought to meet the needs of the lowest income groups or the luxury trade; they have grown up in periods when mass markets were not available; they have emphasized short runs for the international luxury trade or large runs of staple fabrics for special export markets; they reflect the patterns of the economies in their countries, in which the distinctions in consumption patterns among various income levels are much sharper than they are in this country.

In the field of household fabrics the same trends may be noted. We have an emphasis on mass consumption even of the more highly priced fabrics. Our large expanse makes this possible. The ready acceptance of new style trends makes it easy to introduce the higher priced material in great volume. The foreign textile producers have not adjusted themselves to this type of production and merchandising.

Thus the very technological changes which are causing some immediate distress are the soundest indication that foreign competition will not be a serious threat.

Statistics show, of course, that the cotton textiles industry and the war veterans who are employed in the industry have an important net stake in foreign trade. Cotton cloth exports in 1953 were 6 percent of production; imports were the equivalent of one-half of 1 percent of United States production. In synthetic fabrics the situation is similar. Exports were 7 percent of United States production, imports the equivalent of only two-tenths of 1 percent of production. Only in a very few cases, such as in high grade cotton specialties and very cheap cotton lines, is there serious import competition. The Randall Commission staff estimated that, if all tariffs were completely suspended, not a single cotton import would supply even as much as 10 percent of domestic consumption.

As for Japan, it supplies us with only 10 percent of the goods making up our cotton textile imports; by contrast, Japan purchased 25 percent of our total exports of raw cotton. She is also a big purchaser of many other of our exports—including another sick commodity, coal. In 1953 Japan sold us only one-third of what she bought from us.

Let us remember, too, that the trade bill as written contains safeguards against any vast influx of competition. Though we regret their insertion in the bill, the peril point and the escape clause provisions are just such safeguards. As a more constructive form of protection, we in the American Veterans Committee have endorsed—and urge this committee favorably to consider—the Kennedy-Williams bill to provide Federal aids to communities suffering unduly from import competition. Related legislation, the so-called Trade Agreements Casualties Act recently introduced by Senator Humphrey we think should also be carefully studied. Certainly it is far sounder national policy to give special assistance to specific ailing communities than to subsidize entire industries in the form of tariff protection.

These brief remarks indicate, we believe, that the threat to the American textile industry from Japanese competition is greatly exaggerated. We cannot share the views of those veterans who urge you to vote against H. R. 1 on these specious grounds.

Quite the contrary, we urge you to support H. R. 1 because it will help build the strong, free world which, God willing, can mean that there will be no new generations of veterans.

Senator CARLSON. Thank you, Mr. Creshkoff.

The next witness is Mr. Dean M. Lewis of Silk and Rayon Printers and Dyers Association.

We would appreciate it if you will cooperate with us, Mr. Lewis. If you care to make an oral statement, or any way you care to proceed, sir:

Mr. LEWIS. I am perfectly willing to have this put into the record without going through it. There is not much that I can attest to other than what has already been said today except that we would like to go on record as an association stating that before there is any change in the tariffs, or at least authority given to one man, that we would strongly recommend that the situation be thoroughly scrutinized and investigated and we would abide by the Tariff Commission's ruling.

Thank you.

Senator CARLSON. Mr. Lewis, we appreciate your statement. Your printed statement will be part of the record, and I think you may be assured that the members of the committee will look at it as coldly and as honestly as we know how.

Mr. LEWIS. Thank you so much.

(The statement referred to is as follows:)

STATEMENT OF DEAN M. LEWIS, PRESIDENT, SILK & RAYON PRINTERS AND DYERS ASSOCIATION OF AMERICA, INC.

Mr. Chairman and members of the committee, my name is Dean M. Lewis. I am president of the Silk & Rayon Printers and Dyers Association of America, Inc., which comprises some 125 member concerns who are engaged in printing, dyeing, bleaching, and otherwise finishing silk, rayon, nylon, and orlon and other synthetic fabrics. I have been in the finishing business for more than 37 years, and am the president of the Colonial Piece Dye Works, a finishing company in North Bergen, N. J. I am appearing in behalf of the association in opposition of H. R. 1 in its present form.

The silk and rayon finishing industry contains approximately 450 concerns and employs about 60,000 workers. The industry produces about 2½ billion yards of finished piece goods, and grosses about \$300 million per annum. More than 40 percent of this total is paid to labor. In addition, it is estimated that the industry spends more than \$100 million per annum for the chemicals and dyestuffs used in the finishing process. Members of the association are located in each of the eight States where the bulk of this industry is located.

The fabrics processed by this industry are an essential part of the clothing and home furnishings of the Nation's population. They also include many fabrics essential to national defense. During and since World War II, our industry has been processing such critical items as parachutes, tent cloth, tow targets, bomb fragmentation cloth, camouflage material, fiberglass panels for the Navy, flack jackets, flare cloth, uniforms and many other articles essential both to our war effort and our national defense.

As the principal spokesman for the silk and rayon finishing industry, our association does not quarrel with the declared purpose of H. R. 1, which is to expand foreign markets for the products of the United States and thus to maintain a better relationship among various branches of American agriculture, industry, and commerce. Our industry however, must object most vehemently to any legislation which would permit a reduction in existing tariffs on finished textiles. This industry, which is vital to the interests of the Nation, is facing the most serious economic crisis in its history. It is no exaggeration to say that the very life of an independent finishing industry is at stake. Any decrease in the rate of duty which would encourage further importation of finished goods may be the final and fatal blow to the continued existence of the finishing industry as it has developed and as it has served the Nation for over a half century.

This industry has always been characterized by a much larger than average percentage of failures, generally attributed to the intense competition among its hundreds of members, and a historic pattern of steadily increasing costs of labor and materials and static or declining prices for its products. But during the past 3 years these adverse factors have become so intensified as to bring about one of the most aggravated depressions in the history of the industry. Costs of dyestuffs, chemicals and labor are at historic highs; yet for many important printing and dyeing items, the industry's prices are lower than at the depth of the depression in the thirties. These factors, plus a serious decline in the demand for our services, have resulted in a wave of bankruptcies and liquidations which even exceed conditions in 1932. Some of the oldest and finest names in the business have disappeared from the scene. In 1953—an excellent profit year for American industry as a whole—more than 75 percent of the finishing industry is estimated to have operated at a loss.

The consuming public has also suffered from industry's plight, since squeeze between costs and prices results frequently in work of inferior quality. And, of course, the ever-increasing failure of finishers imperils the livelihood of many thousands of families and reacts unfavorably upon the industries which manufacture and supply the chemicals, dyestuffs, and other materials used in the finishing operation.

The basic purpose of our tariff is to protect the Nation's standard of living, by maintaining our high level of wages and productivity, and by guarding against a deluge of imported goods made by low-wage labor and not infrequently by inferior methods.

Any tariff concession relating to finished goods can only worsen the fate of our industry. This is not mere conjecture on my part. We have an actual example of the irreparable harm which a reduction in tariffs will cause our industry. My example relates to screen-printed silk scarves.

On January 1, 1948, the duty on imports of screen-printed silk scarves was reduced from 65 to 35 percent ad valorem and in 1951 was further cut to 32½ percent. After a careful examination and reexamination of conditions in the industry, made at the President's request, the United States Tariff Commission, in August 1954, recommended that the rate of duty be restored to 65 percent for an indefinite period. This recommendation was based on the Commission's express finding that the domestic industry was experiencing serious injury as the result of increased imports attributable in whole or in part to the customs treatment reflecting the tariff concessions. The Commission also commented upon the widespread depression in our industry and its effect upon other branches of the textile industry. The following is quoted from the Commission's supplementary report to the President:

"The depressed state of affairs to which the screen printed silk scarf processors have been reduced during the last few years has been intensified by adverse factors of a general character that affected practically all branches of the textile industry devoted to printing, dyeing, and finishing silk, rayon, and related fabrics."¹

Unfortunately, the President declined to accept the recommendations of the Tariff Commission for an increase in the duty. The inevitable result is that domestic scarf producers are being slowly but steadily exterminated by low-wage imports, principally from Japan where the average hourly earnings are 19 cents, as compared with the \$1.50 to \$2 hourly rate in our domestic industry.

During the period 1948 through 1954, out of approximately 200 plants engaged in the screen printing and screenmaking industry, employing approximately 4,000, due to Japanese imports, 125 plant failed in business and shut down. The balance of 75 plants, employing 1,000, because of little or no scarf business were forced to diversify in order to remain in business.

This example emphasizes the great dangers of H. R. 1 to our industry, as well as to many branches of related industries. If the President is to be authorized to reduce tariffs, that power should be expressly denied as to industries, such as ours, which the Tariff Commission finds may be imperilled or seriously threatened by tariff reductions. A simpler method of guaranteeing that the power to reduce rates of duty will not result in the destruction of an important domestic industry, is to provide specifically in the bill that no tariff reductions shall be made in regard to specified commodities, such as finished silk and rayon textiles.

There are situations in which reciprocal trade agreements can be used to good advantage in our relations with other countries, but the authority to negotiate such agreements should contain adequate safeguards for the protection of our vital domestic industry and our standard of living against low-wage influxes from abroad.

Thank you for this opportunity to express our views.

Senator CARLSON. I would like to submit a statement of Robert L. Williams, representing the Kansas Independent Oil & Gas Association before this committee. He was here yesterday but did not remain to appear personally. I would like to have this made a part of the record in the section dealing with oil as of yesterday, if I may.

(The statement referred to appears at p. 1335.)

Senator CARLSON. The next witness is Mr. B. H. Lerner, executive director, National Association of Blouse Manufacturers. Mr. Lerner, we appreciate very much your appearance here.

¹ U. S. Tariff Commission, Supplementary Report to President (August 1954), p. 27, n. 3.

STATEMENT OF B. H. LERNER, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF BLOUSE MANUFACTURERS, INC., NEW YORK, N. Y.

Mr. LERNER. Mr. Chairman and members of the committee, the blouse industry produced in 1954 blouses in the value of about \$344 million at wholesale—or about 12,500,000 dozen garments. About three-quarters of these garments are produced in the New York area; Philadelphia and Los Angeles each provide from 6 to 8 percent of the total volume; while Chicago contributes about 2 percent.

Approximately 50 percent of the output of the industry is in popular-price lines which engages one-half of the industry's labor force, or 20,000 workers. This popular-price branch of the industry, producing about \$150 million annual volume, is in immediate danger of losing its business because of the present low tariff rate, 20 percent, on blouses now being imported from Japan in direct and injurious competition to the American product.

Many domestic popular-price blouse producers have already suffered considerably during the past few months because of the competition of like or directly competitive Japanese garments sold here at prices far below what American manufacturers can sell them and still remain in business.

As examples of the destructive competition of blouse items imported from Japan, we offered in evidence in December 1954, before the Committee on Reciprocal Information several Japanese-made blouses sold at retail in American stores for far less than the cost of producing like garments in this country:

Item No. 1: This Japanese blouse was sold at retail in American stores for 77 cents. Based on our costs, the same or similar garment would sell at retail for about \$1.69.

Item No. 2: This Japanese blouse was sold at retail in American stores for 98 cents. Based on our costs, the same or similar garment would sell at retail for about \$1.98.

Item No. 3: This Japanese blouse was sold at retail in American stores for \$1. Based on our costs the same or similar garment would sell at retail for about \$2.25.

Several other Japanese blouses placed in evidence produced the same disparities.

When we appeared before the United States Tariff Commission and also the Committee for Reciprocity Information here in Washington in December 1954, we advised both the Commission and the committee that a dangerous situation had already arisen by reason of the fact that a group of American blouse manufacturers were already in Japan making arrangements for large scale importation of Japanese blouses in order to capture for themselves the popular-price retail market here and thereby undermine the American production of like or competitive garments.

We stated furthermore that at the fast rate at which matters were going, Japanese blouse imports might become a real menace to our domestic industry in about 6 months or a year. The truth of this statement is already apparent within only 3 months. Not only have Japanese blouse imports increased alarmingly during the interim, but we can recite three incidents of major importance which will give you an

idea of how rapidly our industry is being undermined under the present 20 percent tariff:

Incident No. 1: An agent of a Japanese concern, named F. Kanemastu & Co. Ltd., Tokyo, Japan has currently visited members of our industry stating that his firm has its own weaving mills and controls one of the largest number of mills in Japan; has been established for 65 years and is very reliable in the import and export business.

It is willing to make to our specifications any garments our members submit, which could then be imported to this country at far below American production costs. According to this agent, an American garment selling for \$30 per dozen at wholesale could be matched by a Japanese garment to be sold for \$16.50 per dozen at wholesale, with much better workmanship and better material than our domestic product.

This means that the Japanese blouse import would retail for \$1.98, whereas, a similar American blouse would have to bring \$3.98 at retail. This \$2 difference at retail is clearly destructive to the American industry.

This Japanese firm claims that it already has orders from American manufacturers in excess of \$200,000.

Incident No. 2: The Certified Buying Service, Inc., 130 West 31st Street, New York, N. Y., has distributed to its retail clientele a mimeographed circular, together with 2 sets of 3 pictures each (and descriptions), showing 6 Japanese blouses at \$10.50 per dozen.

The six imports pictured are exact copies of very popular American styles now being widely sold by our domestic industry to retail apparel departments all over the United States for \$16.50 per dozen.

Excerpts of the circular accompanying these photographs reads as follows:

No * * * It's not a typographical error * * * the price really is \$10.50 a dozen.

The secret? * * * They are made in Japan: For this reason we suggest that you anticipate delivery * * * order at once.

Incident No. 3: To illustrate how rapidly the Japanese blouse import business is expanding in America, a Japanese agent now in this country is soliciting orders on higher price blouses with beautiful beading to retail at approximately \$5.50 each.

We prophesied to the Committee on Reciprocal Information in December 1954 that Japanese blouse imports would soon be reaching also into the higher price field. This prophecy has already come true.

The threat of serious injury which faces the domestic blouse industry is very much like that which destroyed the domestic screen-printed silk scarf industry. Imports of screen-printed silk scarfs from Japan began at a low rate (as in blouse imports). But the volume of scarf imports from Japan grew tremendously in a comparatively brief time because of the low tariff rate on such scarfs.

The escape clause was invoked and following an investigation the United States Tariff Commission reported to the President on April 13, 1953, that the domestic screen-printed silk-scarf industry was being seriously injured as a result of the competition from Japan.

On December 23, 1954, identical letters were sent to Senator Eugene D. Millikin, then chairman, Senate Finance Committee, and Repre-

sentative Daniel A. Reed, then chairman, House Ways and Means Committee, excerpts of which read as follows:

President's action on the Tariff Commission's report with respect to screen-printed silk scarfs, recognizes that:

* * * sales of all screen-printed silk scarfs by 31 representative firms declined between 1952 and 1953 * * *

The substantial decline in domestic production of screen-printed silk scarfs * * *
 * * * With little adaptation each of these operations can be employed in the production of articles other than scarfs * * * Services performed by cutters and hemmers in the manufacture of screen-printed scarfs are also used elsewhere, for example in the manufacture of other neckwear, *blouses* [our italic], and accessories * * *

* * * Under the circumstances, therefore, although it is clear that domestic scarf production has declined, it is not clear that serious injury has resulted * * *

The irony of this decision of the President is in his conclusion that the jobless workers in the scarf industry can be used in the manufacture of blouses, whereas, at this very moment the domestic blouse industry is about to be undermined and destroyed for the same reason and by the same means as the screen-printed silk scarf industry.

To top all this, several enterprising American blouse men who have been following the course of the reciprocal trade program have returned to Japan for a second time and are now there. They returned to Japan for 2 reasons: (1) To place additional large orders for blouse imports and, more important yet, (2) they have taken with them samples of American blouse styles for the purpose of having them copied and reproduced abroad for import here.

In addition, they are giving the Japanese blouse producers some American know-how on certain aspects of American methods.

The reproduced blouse copies, as well as the regular run of imported Japanese garments, are to be sold to American retailers at prices under the American cost of production.

To illustrate the growth of Japanese blouse imports, the United States Tariff Commission gives the following figures which represent mostly blouse imports:

1951-----	\$17, 111	|	1953-----	\$437, 322
1952-----	34, 605	|	1954-----	749, 341

While the figures for 1955 are not yet available, it would seem from information gathered around the trade that orders placed with Japanese producers the first 3 months of 1955 may equal or exceed the \$749,341 of the entire year of 1954. This illustrates the accelerated rate of speed at which Japanese blouse imports to this country are expanding.

It is well to observe at this point that in 1945 the tariff on Japanese blouse imports was 37½ percent. However, in 1948 it was reduced to the present 20 percent. In other words, while the standards for wages and hours in American industry were constantly being raised, the tariff on blouse imports was being lowered. In addition, our industry is now being threatened with a further reduction.

It should be clearly understood that Japanese workers are just as efficient and just as excellent in sewing as our domestic operators. Japanese garments are equal to ours in every respect, as anyone knows who has seen the work on a Japanese kimono. The Japanese are well-known as excellent and successful copyists.

The unfair competitive advantage which Japan enjoys lies in the enormous difference of labor costs between our two nations. In Japan

a blouse operator earns an average of \$20 to \$22 per month, or about \$5 per week for a 48-hour week. Whereas, in America the same type of operator earns from \$60 to \$80 per week for a 35-hour week.

The major domestic blouse markets in this country have maintained for the past 20 years contractual relations with the International Ladies' Garment Workers' Union, calling for the 35-hour week and for minimum wages far in excess of the national wage and hour law requirement for a minimum of 75 cents per hour for a 40-hour week, or \$30 per week, as against earnings of \$5 per week in Japan.

The enormous gap in wages is further widened by the cost to the American manufacturer of fringe benefits. The overwhelming majority of domestic producers pay an additional 10 percent of their payroll to union-administered health, vacation, and retirement funds and for unemployment and social security payroll taxes.

Fringe benefits of 10 percent on \$5 per week is an entirely different matter than on \$50 per week. In the first instance, it is 50 cents; and in the second instance it is \$5.

Our domestic blouse industry is doing an excellent industrial and economic job. The standards we maintain are among the highest in our economy. With responsibility to 40,000 workers and with a substantial contribution to our American living standards, it does not seem feasible or reasonable that our industry should be undermined by ruinous competition through faulty, hasty, or thoughtless tariff legislation.

The misstatements of Mr. Charles P. Taft are probably prompted by zeal rather than knowledge and should be weighed accordingly. We are not opposed to trade with Japan. We are merely opposed to unfair and destructive competition.

Indeed, the resentments and fears expressed at various hearings in Washington by so many important and stable segments of American industry on the Japanese tariff situation established clearly that the problem is far more serious than thought by the President's advisers.

It has become plainly evident that the Japanese import program requires changes in some vital particulars in order to avoid or prevent serious injury to American production of like or directly competitive articles.

Our industries have need for and deserve a bigger voice in tariff policies affecting them. Up to the present, hearings on the Japanese matter before committees may have served to meet formal requirements, but have achieved no results for the valid claims presented.

Several concrete and sound suggestions for modifications and changes in the act have been advanced by some groups, particularly before this committee. These should be carefully considered.

Giving the President the power to lower Japanese tariffs, at his discretion, can inadvertently cause serious injury to American industry. This power is an instrument that must be surrounded by safeguards.

The Tariff Commission, as an instance, should have a greater part in the adjustment of tariff rates. Industry, likewise, should be given full opportunity to present its legitimate claims for just and valid consideration before a body having power to grant relief from destructively low tariffs.

The American blouse industry asserts that the Japanese trade program in its present form is not only threatening to cause, but is already

causing, serious injury to our industry, and an increase in duty as speedily as possible has now become an urgent necessity.

Senator CARLSON. Thank you, Mr. Lerner. We are pleased to receive your views.

If there are no other witnesses here for this afternoon's hearing, that completes the session and we are adjourned.

(By direction of the chairman, the following letter is made a part of the record:)

DEERING, MILLIKEN & Co., INC.,
New York, February 25, 1955.

HON. HARRY FLOOD BYRD,
Senate Office Building, Washington, D. C.

DEAR SIR: Pretty soon you will be called upon to vote on the reciprocal trade treaty and I would like to take this opportunity to point out to you the very grave repercussions the passage of this act may have on the textile industry which is the mainstay of so many States economy.

It seems to those of us who have made a study of this situation that it is adding insult to injury to first tax the American textile industry to provide the funds with which to build up a completely modern Japanese textile industry from a low of 2 million spindles right after the war 7,900,000 spindles today and then to lower the tariffs which are already inadequate to prevent this country being flooded with Japanese textiles made on this modern machinery where the average hourly wage is only 13½ cents against our average wage of 10 times that amount. How is it possible for American management and American labor, no matter how efficient, to compete with the newest machinery with this enormous discrepancy in the wage rate?

As to raw material, it actually costs the same to ship cotton from Houston to Japan as it does to ship from Houston to the southeastern cotton-manufacturing States. Therefore, the Japanese are under no disadvantage due to freight rates.

It has been argued that by permitting the Japanese to sell their cheap goods in the American market we will be furnishing them with dollars with which to buy American cotton. But the sad fact is that last year they purchased only one-third of their cotton in the United States, the balance being bought from Mexico, Brazil, etc.

I understand that Washington recognizes that the textile industry stands in great jeopardy and that it has been proposed that if the Reciprocal Trade Act goes through and the textile industry is hurt, a subsidy be granted to those firms which are hurt and to those individuals who lost their jobs as a result of the flood of imports that will be coming in, mostly from Japan. If we are to start subsidizing industry and individual workers, it seems to me we will have about reached the end of the road to socialism and this is too fearsome a possibility to even consider.

It would not take a great many imports to so depress the domestic market that all Saturday operations in the American mills would cease. I do not believe that it is widely recognized that for the sixth day operation textile workers in South Carolina are receiving an average of \$2 an hour or \$16 for the day. What the loss of this income would do to the textile communities in the State is very easy to realize and horrible to contemplate.

Among 45 nations of the free world United States tariffs ranked eighth from the bottom in size of tariffs, and on all imports the average United States tariff is about 5.3 percent.

It is very difficult for me to see how the battle against communism can be helped by sacrificing American industry with a consequent rise in unemployment and possible subsidization (a socialistic idea). As I see it this trade-not-aid bill is merely another way to tax the American people whose ingenuity has built up the American market to help other economies. We were originally told that the United States should support these economies until such time as they had returned to their prewar productions. As I understand it, all of the countries who are clamoring for our tariffs to be reduced have economies that have been operating at a much higher tempo than prewar, and is it not fair to ask the question: "When is the United States going to stop subsidizing foreign economies either directly through the grants of aid or indirectly through making

our great markets available to them by further reducing an already low-tariff structure?" Is it not true that the reason that the American market is so attractive to foreign producers is because our workers receive high wages, which wages are not paid elsewhere?

I urge that you give great consideration to this matter and to the position in which you will be placing the textile industry along with many others if you elect to cast your vote in favor of this Reciprocal Trade Act.

Sincerely yours,

ROGER MILLIKEN.

(At 5:15 p. m., the session was adjourned.)

TRADE AGREEMENTS EXTENSION

FRIDAY, MARCH 18, 1955

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

The committee met, pursuant to recess, at 10:05 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Bryd, George, Kerr, Smathers, Barkley, Long, Millikin, Malone, and Carlson.

Also present: Elizabeth B. Springer, Chief Clerk.

The CHAIRMAN. The meeting will come to order.

The first witness this morning is Mr. Charles P. Taft, president of the Committee for a National Trade Policy.

STATEMENT OF CHARLES P. TAFT, PRESIDENT, COMMITTEE FOR A NATIONAL TRADE POLICY, INC.

Mr. TAFT. Mr. Chairman, in appearing before this committee in support of H. R. 1, I want, at the start, to call attention to two facts. First, more business witnesses from more different kinds of businesses and industries have appeared in favor of the reciprocal trade agreements program in testimony and statements before the committees of the two houses than in hearings upon the enactment or any extension of the act of 1934. Many of them were members of our committee, and where we had any responsibility we made every effort to see not only that only one witness appeared from each industry but that if the same industry was represented at these hearings as in the House, they testified about new points not previously covered.

The second fact to which I wish to call attention is that the witnesses against the bill have come in general from the same industries that have always opposed the reciprocal trade agreements program. Their testimony added practically nothing to what has been heard from 1934 through 1953, except perhaps the increase in the volume of their fears.

In 1945 I listened to these witnesses tell the committees of the two houses that they were for the program, but that any further reduction, in duties on their particular commodities would bring economic disaster to them and their industries. This year they have expressed the same fears, even though the earlier fears have never been realized.

Let me bring a little sanity into this record. The House hearings in which the representative of the chemical industry testified ended

February 7. On February 14 appeared the periodical Value Line Survey, certainly a conservative business publication. It said:

Bombastic statements that the abolition of tariffs "would stagger the chemical industry" (Dow) or "would cripple it" (Monsanto) have come as a shock to investors since chemical industry prospectuses make no mention of this threat.

In our view, the threat of foreign competition appears to have been grossly exaggerated.

This article then reviewed facts not unlike those which I placed in the record in the House hearings, since both came from official publications of either the Tariff Commission or Department of Commerce.

The article ended by saying: "All in all, the facts suggest that our chemical industry can compete in our domestic market and abroad without tariff barriers."

This is only one example of what dispassionate observers say are exaggerated fears. I could multiply examples from most if not all of the industries which appeared against this bill.

I cannot refrain from expressing here my sense of outrage at those who have played upon this kind of natural fear and have induced innocent workmen willingly or unwillingly to flood this Congress with postcards, which carry statements that the prime circulators must know to be lies—I have here one of the postcards, I will be glad to put it in the record. It says:

"American jobs lost due to imports, 5,800,000. Each American job supports three Americans. American jobs won, due to exports, 2,500,000. Job deficit, 3,300,000."

The total number of unemployed in the United States on February 15, 1955, was 3,380,000. I believe that to be exact. If you take the average value added per employee in the United States, which is about \$5,500, to displace 5½ million jobs, 5,800,000 jobs, there would have to be about \$30 billion worth of imports. This is about three times the actual annual rate of imports. It is one-third of all the exports of all the countries in the world.

Now, further than that, if by any chance they mean to imply that for each actual job displaced directly by imports, there are two jobs which are displaced incidentally in connection with the ones directly affected, that still gives 1,900,000 unemployed directly by reason of imports plus 3,800,000 indirectly. 1,900,000 employees would produce approximately \$10 billion, which is the total amount of imports. Therefore it is an assertion, even on that basis, that the total amount of imports has displaced that amount of American employment. This cannot be believed by anybody who got it up.

And they have procured the publication of advertisements signed by local labor unions, but beyond doubt instigated by the companies concerned, which can only be described as outright misrepresentations.

I have here two of them, one published in the South Bend Tribune of February 5, and the other in the Boston Herald of March 11. The one in the South Bend paper lists the wages in Hong Kong and says—this is rubber and canvas footwear—"Our industry simply cannot compete favorably with the low wage rates in foreign countries which produce a low-grade rubber footwear. What do our tariffs mean to us? They mean the possible loss of jobs," and so on. "What can you do about it? Look to your two Senators already in Washington," and they name them.

Now, the fact as to the total imports for the year 1953, which are the only ones which we have for rubber footwear from Hong Kong, is \$365 worth of rubber boots, \$8,156 worth of rubber shoes and overshoes, and in the items which the industry has stated are the principal items of competition in the United States, namely, sneakers, \$450 imported in 1953. If you want to take the total domestic production for 1953, there were 25 million pairs of sneakers produced in the United States in 1953. And the total number imported from Hong Kong were 600 pairs. More than that, total exports of sneakers were over twice as large as total imports.

I could go on with other examples.

I see that Mr. Kennedy of the United Mine Workers testified before this committee that enormous imports of foreign oil are devastating the coal industry. You gentlemen heard yesterday what the witness from the American Cotton Manufacturers Institute said, that somehow this bill was going to crucify the entire industry. This seems to be getting close to Easter.

Injury, when it rarely does occur as a result of import competition is no different in kind from injury as a result of domestic competition, which happens every day. Producers complain in domestic competition about low wages in the South, or about distress sales, for instance, when their inability to compete is really due to inadequate management and inadequate progress in technology. Or it may be a complaint simply of less profitable prosperity when internal competition has cut their profit margins.

This kind of injury is no basis for the establishment of national policy on trade restrictions because such competition, with all its injury to those at the end of the procession, makes a stronger industrial and business base in a free enterprise system, and a stronger defense mobilization base for a cold-war period.

The trade-agreements program is too important for the economic welfare of our country and its national security to be distorted and compromised to satisfy the short-run interest of small segments of our economy, seeking special exemption from the natural pressures of the competitive free enterprise system.

We certainly recognize—and I am speaking here for my committee and all of them, because this has been discussed at great length by our members—we certainly recognize that the impact of this import competition should not be brought on any industry by a sudden and substantial reduction of a tariff. We point out that that kind of impact does not ordinarily come from the gradual way in which domestic competition operates. To help in readjustment in the unusual case of injury from imports we have proposed—we proposed to the Randall Commission, and we suggested to the House Ways and Means Committee—Government assistance to States and localities in retraining and unemployment compensation, and even in short-term loans if such financing is unavailable locally.

However, we do think it is important to emphasize that H. R. 1 is such a moderate increase in the President's authority, that it would cause no such serious adjustment problems in its operation.

The gains to our economy from high and expanding levels of world trade in jobs and production and in the availability of goods for consumption are too well known and too many to review in detail here.

Anything short of passage in the Senate of H. R. 1 as it passed the House would forego some of the possibilities of the benefits of expanding world trade at the expense of largely illusory gains to those who plead for protection.

I do not neglect, though I have not and do not place first, the consideration of our relations with friendly countries. The increased strength of the free-world alliance and the need to keep its economies integrated and growing powerfully in the face of Soviet economic warfare, must be obvious to any observer. These are, of course, paramount considerations, in the national interest, but they are considerations that are dismissed with alarming lightness by those who have testified in opposition to the bill, who talk, for instance, about exchanging industries for islands.

The hard core of the protectionist's position is that the Trade Agreements Act can be extended and moderately broadened, on an entirely selective and gradual basis, as it is in H. R. 1, and as in the past, only at serious cost to themselves.

But the peril-point and escape-clause provisions of the act remain, and serve to limit the extent of the duty decrease in the first case, and to provide an opportunity, in the second case for adjustment of the tariff if injury really result from imports and if it is in the national interest to protect that industry. The complaints about the procedures and actions taken under these provisions are not really complaints about lack of an adequate hearing, and they are most unfairly directed at the State Department. The real issue in these complaints, under both Democratic and Republican administrations, is that all Government departments, including generally the Tariff Commission, have insisted that damage was not shown in the particular case.

Out of 51 Tariff Commission applications under the escape clause, the Tariff Commission itself found no injury in 36. This has not prevented the 36 from damning the procedures and the State Department before the 2 committees of the Congress.

Here are two examples: For many years the domestic bicycle manufacturers have complained that the British and others were gaining a larger share of the American market. But up through 1953, prior to the present escape-clause proceeding, the American companies were making more bicycles and more money—over 2 million “bikes” in 1953, a new record and a steady rise since 1949. Even for the so-called lightweight bicycle, which is the type of bicycle we import, domestic production increased from 37,000 units in 1951 to 80,000 in 1952 to 127,000 in 1953. Now it went down in 1953, and that is the second case that is now before the Tariff Commission; but what I am saying to the committee is that up to that point, where a large share of the market has gone to the importer but the domestic industry has continued to increase and to make more money, that is not injury. If anything, the domestic producers ought to be grateful to the British producers for developing a market for lightweight “bikes” in the United States.

A second sample is where a single product of a diversified company cannot compete and is dropped, but the company continues to operate profitably and increase its business. I don't know of any escape-clause proceeding that illustrates this point. That has often been claimed, but it hasn't actually come up before the Tariff Commission.

This was the case about which Mr. Percy testified in the House; the unsuccessful attempt of Bell & Howell Co. to make a fine 35 mm. camera

in competition with Leica and other European cameras. We agree with Mr. Percy that this, too, was not injury, and should not be considered as such for tariff purposes. Many witnesses have asked here for relief in this kind of a case.

When the President in cases like these goes contrary to half or even a majority of the Tariff Commission, this is not an overruling of a finding of fact, but rather a different concept of what an undisputed set of facts adds up to in a competitive free enterprise economy. So far as I know, I would say to the committee that all of us who have operated in this general area have relied fully on the facts as I have defined them here as they came through the Tariff Commission.

From the standpoint of the overall economy, not just one industry or company, the record and experience under the trade-agreements program is clear. Not only have our imports and exports increased over the past 20 years, but our gross national product has increased even more, relatively. So that both exports and imports today are less in proportion than they were in earlier years. The highest point, as I recall, was in 1927 or 1928.

Take imports: From 1944 to 1953 imports of merchandise increased from \$3.9 billion to \$10.9 billion. An increase of \$7 billion of imports over the 10-year period has not affected our American economy adversely. If it has hurt, it is a hurt that has been very well concealed. The increase in imports of merchandise has made possible our exports of merchandise which have redounded to the economic advantage of American industry, labor, and the taxpayer.

Whatever has produced our current unemployment, it is not and was not imports. The January Economic Report of the President, on the other hand, cites increased exports in 1954 as one of the causes for sustained employment in spite of the inventory recession. There is some argument that the 10-year period since the end of World War II has been abnormal. There was a bulge in exports before Europe got back to prewar production. That point is long since past and the last 3 years have seen the end of the seller's market; yet we have maintained our general level of exports.

This much is clear. Today American industry and agriculture find themselves in a very strong world position. Their productivity has increased substantially in the past few years, their capacity to produce is huge, and their reliance on established foreign markets is substantial. I repeat, because it seems not to be well known, that fully 70 percent of our exports of merchandise consists of manufactured goods, goods that are produced with high wages, highly skilled labor, and these goods meet competition all over the world.

Competition is substantially tougher than it was in the immediate postwar period; salesmen cannot be just order takers any more. But it can and will be met as effectively in the future as it has in the past.

The demand for American exports remains unsatisfied. If foreign countries could earn more dollars through trade, directly or through third countries, there is no question that the greatly reduced restrictions against our exports which still remain in force for balance-of-payment reasons, would be further reduced and we would find expanding markets for our goods abroad. On the other side of the ledger, our imports consist largely of raw materials, foodstuffs and semiprocessed materials that are essential to the continued economic

operation of our whole business, industrial, and agricultural systems.

Only 20 percent of our imports compared to 70 percent of exports consist of manufactured goods, and not all of these can be regarded as offering competition to domestically produced products. What I want to emphasize is the simple fact that we are in an extraordinarily strong position in our competitive capacity today, and for the future.

How then, one might ask, can so many individuals come before this committee and argue that they are in serious danger from imports? It is due to a panic fear, sincerely felt, but stimulated by jet propulsion at these periodical extension hearings. We have checked into the contentions of a great many industries, and we have found in general that there are three repeated characteristics of the positions that they have taken before this committee.

First, they apparently do not look up, and they certainly do not tell this committee, all of the facts about the relationship of exports and imports to their economic position. Just one illustration. One would never guess from listening to the representatives of the cotton textile industry that 6 percent of their production of cotton textile cloth in this country is sold for export, while imports of cotton textile cloth are only one-half of 1 percent of domestic production.

Second, a great many of the industries which are in difficulty apparently find it easier to charge their troubles to imports rather than to other far more important factors. Take as an example the coal industry. Since 1947, which was the peak production year for bituminous coal, through 1953, coal has lost 155 million tons of markets. According to the representatives of the coal industry this loss of markets was due to imports of residual fuel oil from Venezuela. I have just quoted an excerpt from Mr. Kennedy's statement as reported in the papers.

The fact is that over the same period of 7 years, heavy fuel oil increased its market from foreign or domestic sources, by the equivalent of only 11 million tons of coal. At least 144 million net tons worth of the coal industry's difficulties are due to causes other than heavy fuel oil. These predominant causes are in fact natural gas and competing fuels produced from petroleum, such as diesel oil for the railroads and light fuels for house heating. Even most of the 1954 loss in coal exports was due to dieselization of railroads in Canada. That is over 4 million tons in 1 year.

Third, when any opponents of this legislation appear before this committee they are professional pessimists and their wails of anguish are heart rending. When they speak to their stockholders or to the press the picture is quite different. Take the chemical industry again for example. It put \$1.2 billion into new plant in 1954, and now projects \$1.5 billion for such investment in 1955. How does that gee with their pessimism here? Besides that, out of a total production of \$20 billion worth of goods, the chemical industry exported \$900 million worth in 1954 (excluding military items) while imports of chemicals were less than \$250 million. Their stake in exports is far beyond their concern about imports, and in 1954 both Dow and Monsanto increased their exports by 25 percent over the prior year.

The American Tariff League says our tariffs are low, and they are at this moment engaged in promoting vigorously a book by Sam Lubell which says that tariffs do not really stop any trade. Then why is the league reviving again this ancient show of the tragic mask

from so many of its members against any further reduction in duties?

It should be pointed out in conclusion, that H. R. 1 besides its tariff reduction authority also continues the President's power to negotiate down other restrictions put on by foreign countries, among which quotas and exchange controls are most important.

It should also be pointed out that H. R. 1 itself does not include the whole program. One of the most important areas not yet cleared is that of customs red tape and uncertainty, both in classification and valuation.

Our objective for a stronger free world and for a stronger United States requires expanded trade in goods and merchandise and services among the free nations of the world.

Senator GEORGE (presiding). Thank you for your appearance here and your statement.

Questions, Senator Millikin?

Senator MILLIKIN. Do you believe in the injury test of the Reciprocal Trade Agreements Act?

Mr. TAFT. I am quite satisfied to operate under that, yes, sir.

Senator MILLIKIN. If the injury test is carried out in good faith—if it is not mixed up with a lot of other things—to the extent that it safeguards the domestic market, do you oppose it in any way?

Mr. TAFT. No, sir. May I point out, however, that I did define my idea of what I did not consider injury in the case of two samples on which there might be a difference of opinion. But I am certainly willing to stand by the fact that the injury test of the act as contained in the escape clause should be continued.

Senator MILLIKIN. Do you believe that we should injure any domestic industry for the sake of foreign trade?

Mr. TAFT. I think there may be cases but they are certainly very rare, Senator.

Senator MILLIKIN. Well, tell me what they are.

Mr. TAFT. I don't know enough about all of them. To give an example, I would say that there may have been some injury in the case of brier pipes. I can't see why brier pipes, if there were some injury, should be favored particularly if that was an item that was very important in our foreign relations.

Senator MILLIKIN. I am suggesting that if a bona fide case is made that an industry is injured or is threatened with serious injury, in that kind of a case would you under any circumstances favor overlooking the injury for the sake of exports?

Mr. TAFT. I think there may be such a case, yes, sir.

Senator MILLIKIN. Tell me what that case is.

Mr. TAFT. I have attempted to give you one. This is a matter of speculation. I am sorry, I can't go further than that.

Senator MILLIKIN. I would like very much to know what those exceptions are.

Mr. TAFT. I have said that they probably were very few. That is the only one that occurred to me.

Senator MILLIKIN. As a general policy you stand by the test of injury, you do not favor injuring any domestic industry to gain exports?

Mr. TAFT. That is correct. I am willing to have the escape clause as it stands, continued in the act.

Senator MILLIKIN. What do you propose to do about this particular bill that is before us? Do you have any suggestions?

Mr. TAFT. No, sir. I would be glad to comment on some of the amendments that have been suggested, if you would care for me to do so.

Senator MILLIKIN. Tell us what you suggest, briefly.

Mr. TAFT. There are 4 or 5 amendments that have been offered, and I can comment on them briefly. There is one, for instance—the textile people yesterday proposed to knock out the Japan provision entirely. It seems to me that that should not be done. One of them suggested, for instance, that under the Japan provision the escape clause and peril point would not be included. I think they are completely wrong. They also objected—

Senator MILLIKIN. Let me interrupt you there to ask you whether insofar as the Japanese matter is concerned we should adhere to the peril point or escape clause?

Mr. TAFT. Absolutely and the law is clear on that.

Senator MILLIKIN. They should not be allowed to import stuff in here that would injure domestic industry?

Mr. TAFT. The escape clause would apply to these concessions as it does to all others. They also suggested that under the 50-percent provision, Senator, that is, in cases where there are now no imports, or the imports are negligible—that the imports of cotton cloth could be considered as negligible. This seems to me totally ridiculous. There are 50 million square yards of imports coming in, as against 10 billion square yards of production. Fifty million couldn't be considered as negligible under any circumstances. This is the provision that the gentleman referred to as involving the crucifixion of the textile industry. If you took 600 pairs of sneakers imported from Hong Kong out of 25 million pairs of domestic production that might be considered as negligible, I would have to say that. But certainly not 50 million square yards as against 10 billion, or one-half of 1 percent. If you have a very large market, one-half of 1 percent is not negligible. And therefore the 50-percent provision would not supply.

Senator MILLIKIN. I think there you indulge in a basic fallacy. If you have a tight market, a 1-percent surplus can upset your market as well as a much larger one.

Mr. TAFT. Yes. But I am not talking about the injury provision, I am talking about the provision for a 50-percent reduction in the duty if the imports are negligible. I am saying that that does not apply to the textile industry, and therefore I am taking that one out.

Senator GEORGE. In other words, you think that that would be so construed as applying—

Mr. TAFT. It couldn't possibly be construed as applying to that.

Senator GEORGE. I agree with you on that.

Mr. TAFT. I mention textiles because a representative of that industry happened to come here yesterday and made suggestions for amendment that were in that form.

So far as the Neely amendment is concerned, I am opposed to it because of two reasons, one, that the 10-percent quota on both crude and residual would keep back 175 to 195—it is a little hard to estimate it exactly—millions of dollars worth of oil which pays for the same amount of manufactured goods we sell to Venezuela. And these

exports of ours employ 30,000 to 35,000 American workers. And it seems to me that under those circumstances that unless that damage is shown to be directly against the coal industry—and they haven't tried an escape clause in this matter—that the Neely amendment should not be adopted on that ground.

So far as crude is concerned, I have made some investigation into that subject. The domestic producers are on a sound basis. I might point out that if you take the proportions of the market retained by the small producer, it is the highest so far as crude production is concerned, of any segment of the industry, and the intermediate independents come next. The production of the large companies who also import has increased least during this period when there have been increased imports of crude. They have thus substituted imports of crude for expanded production from their domestic sources.

Senator MILLIKIN. Again assuming that a show of injury is made—not what you think about it or what I think about it—but supposing a show of injury is made, say, to the Tariff Commission, as to the imports of oil, should that injury be stopped?

Mr. TAFT. Well, Senator, the real problem there would be in the case of coal which I referred to earlier where their total loss of market over a 7-year period was 155 million tons, and the demand for residual use by only 11 million tons of coal equivalent.

Senator MILLIKIN. You are judging the facts now.

Mr. TAFT. I am stating the facts in this particular case.

Senator MILLIKIN. Wait. There isn't anybody wise enough to be so certain when he says he is stating the facts. I just want to give you a word of caution on that. I am assuming that the facts are shown—and they may be contrary to the way you assume them—that if an injury is shown, should there be correction?

Mr. TAFT. Senator, I do not think the facts are contrary to the way I have presented them, because I have gotten them from official sources. In this case, however, the problem is a little different. Here is a case where there is a large amount of injured coal. A very small proportion of that, only 11 million out of 155 million, comes from this source. Under those circumstances I would say that that is not a damage which would be attributed to the imports of oil. If it is called damage, then I would say that it ought to be disregarded.

Senator MILLIKIN. If this committee should decide that there is a damage, if the Congress should decide there is damage, do you believe it ought to be corrected, or should we stand on what your opinion of it is?

Mr. TAFT. I can only say that my opinion is what I would think the Congress should do in this case, and if I were here, that is what I would do.

Senator MILLIKIN. Assuming the judgment of Congress was to the contrary, should the injury be corrected?

Mr. TAFT. Well, if Congress passed an act it obviously has to be corrected.

Senator MILLIKIN. I am asking you, should it be corrected?

Mr. TAFT. I am saying it should not.

Senator MILLIKIN. How do you figure that?

Mr. TAFT. I figure it because you have to measure the causes of the damage to the coal industry, you have to measure the damage of the

11 million tons, which involves so many unemployed—I don't know what it would be, three or four or five thousand—you have to measure that against the damage to as many as 30,000 or 35,000 employees who are exporting the goods for which that oil pays. You can't help balancing those two damages. That isn't a question of foreign affairs, that is a question of domestic economy.

Senator MILLIKIN. Assuming that the Congress takes a look at the whole situation and takes a look at it properly and concludes that these people are being injured, should the injury test be applied?

Mr. TAFT. It has to be applied if the Congress so decides.

Senator MILLIKIN. Then you would have no objection to that?

Mr. TAFT. If the Congress decided it, I would naturally obey the law. I am saying that they are wrong.

Senator MILLIKIN. You are asking us to stop the investigatory proceedings because you think—

Mr. TAFT. No, sir, not at all. I am here to try to persuade you that my viewpoint of it is right. That is my job and that is my conviction.

Senator MILLIKIN. What I am really asking is whether you are an affirmative believer in the injury test.

Mr. TAFT. I am. But I am telling you that there are two kinds of injury involved here. You do find cases, as in the coal case, where you have got a very small amount of injury due to imports on one side and a very large amount of injury due to cutting off imports, and therefore exports, on the other side. I am suggesting that that ought at least to be weighed on the basis of employment.

Senator MILLIKIN. You have no objection to weighing it?

Mr. TAFT. No, sir.

Senator MILLIKIN. And as far as the law is concerned, you favor the continuation of the injury test?

Mr. TAFT. Absolutely.

Senator MILLIKIN. And you might not like the results, but you would take them?

Mr. TAFT. That is right. I didn't agree with the President's decision on watches, but he made it, and I am satisfied to go along with it.

Senator MILLIKIN. What is your position on this trade business? Do you favor the adoption without amendment—

Mr. TAFT. Without amendment.

There are a couple of other amendments I might mention, because they are of some importance, and they haven't been commented on. Senator Capehart. I believe, has introduced one which proposes to require that nothing shall come in unless it has been manufactured by a standard of wages equal that in the United States. This would exclude all imports except those from Venezuela. And it seems to me that it is perfectly impossible to administer it. Ten years ago there was testimony on this from Sol Barkin, and Emil Rieve of the textile workers, and in general I would follow their line. You cannot force other countries up faster than they can come in their economic system. You should require that no tariff concessions be made except on those imports that are produced under the labor standards in the country where they are produced, whatever those standards may be.

Senator MILLIKIN. I don't see that that answers anything. How would that give relief against injury in the United States by saying,

this is all right, because it applies to the standards of the fellow who is exporting the goods to this country.

Mr. TAFT. It doesn't actually injure the United States.

Senator MILLIKIN. But if it does?

Mr. TAFT. You are assuming things that I can't find any facts to support.

Senator MILLIKIN. Well, Mr. Taft, I come back again to the gentle suggestion that if it is so found and we should decide that there is an injury, you would have no objection to the correction being made?

Mr. TAFT. Senator, I certainly will follow the judgment of the Congress when it takes action. I am a good American citizen, I hope. But I certainly will also reserve my right to criticize them for doing it, and try to persuade them not to do it in advance.

Senator MILLIKIN. You have a perfect right to do that. But you won't be overcritical of us if we take a certain viewpoint?

Mr. TAFT. I might be critical, and you might think I was overcritical.

Senator MILLIKIN. You have the right to do that. But in the end I think there will be some adherence to the injury clause.

Mr. TAFT. I told you I support that.

Senator MILLIKIN. And if the injury clause is abided by, my own thought is that there would be no objection if we find under all the tests, the tests you laid out, that there is injury to domestic industry, I think that there would be relief.

Mr. TAFT. That is right. That is in general the position of our Committee.

Senator GEORGE. You differ as to what it is.

Mr. TAFT. As to the definition of injury, that is right.

Senator MILLIKIN. What did I understand you to say a while ago about where some part of an industry is injured and other parts of the same industry are profitable?

Mr. TAFT. Well, there would be the case of the powerplant equipment, for instance, in the electrical industry. This is one item out of a very large industry which has a huge stake in exports, and because they pay for the exports which they send out, they have a huge stake in imports. Many of their raw materials are imports, too, incidentally. In this powerplant case, I would disagree as to whether they have been hurt by the Executive order under the Buy American Act, by the reduction in the preferential percentage and the giving of the contract to foreign countries. Out of four recent cases, the domestic companies have managed to get the low bids. I think they just didn't have their pencils out and sharpened in the early bids. That is the operation of our American competitive system. But that is a case where you have one item out of a very wide variety where injury is alleged.

Senator MILLIKIN. Where you have an industry that makes 10 different articles or, we will call them dissimilar, if you wish, and 9 of them are profitable, and 1 is unprofitable because of imports, would you deny relief against imports on that 1?

Mr. TAFT. I would depend on the total income of the company and its general operations. But in general I would say, yes, I would not call that injury.

Senator MILLIKIN. That is what I am getting at. You say the test is the prosperity of the whole industry?

Mr. TAFT. That is right.

Senator MILLIKIN. What if a single industry is making the same product and is also injured?

Mr. TAFT. I can only say to you what I think I said in the House with reference to the bicycle industry. One of the leading manufacturers is reported to have said that he was going to keep on making his kind of bicycles and wasn't going to diversify until hell froze over. All I can say is that I think it is going to freeze over and he is going to be put out of business. That is the trend of American business, diversification, and it is a wise trend, it is an effective trend, it increases employment. And it seems to me that anything that presses him to diversify is good.

Senator MILLIKIN. I can't reconcile the various statements you have made to me.

Mr. TAFT. That is because we differ on our definition of injury, Senator.

Senator MILLIKIN. That is what I am trying to find out. If a manufacturer is in 10 different lines of business, and 1 of them is bicycles, and he cannot get ahead because of the importation of bicycles, do you feel that because he is making a profit in these other lines that his injuries should be disregarded?

Mr. TAFT. Yes. I think there are too many alternatives that are open to him. Take bicycles. One is to use modern technology and effective executive management in the production of bicycles. That is the first alternative. And the second, if he does that and he still can't compete, to drop bicycles. And that is what is being done in our internal domestic competition almost every day. I see no difference, unless you get into questions of national defense, Senator.

Senator MILLIKIN. You ought to see a difference there, because domestically we operate under the same standards of living and under the same payroll, and the makers of the imported bicycles do not.

Mr. TAFT. Our costs, if we adopt our modern technology, are lower in substantially all cases of manufactured goods.

Senator MILLIKIN. All the testimony here is to the contrary.

Mr. TAFT. The testimony is based on assertions about relative costs which cannot be supported by any sound, scientific investigation except in a very few cases. The support for this view, Senator, is found not only in the testimony in 1934 of Bob O'Brien, who was a long-time member of the Tariff Commission, which I think was to be put in the record of these hearings, but it also is sustained by the fact that in proceedings under section 336 of the Tariff Act of 1930 before the Tariff Commission, of which there have been 15, they have found no single case in which there was either a justification to making any further investigation at all—and this is what happened in about 12 of them—or in one case, they couldn't find what the costs were in the foreign country;—and in one case they finally dismissed it on some other ground, which I am frank to say I didn't have time to understand.

Senator MILLIKIN. And if you find that the machinery is the same in both countries, the skills the same in both countries—and that often is the case—you find that, and the other factors that must be consid-

ered in totaling up your cost, that in this country you pay \$1.50 per hour for the same labor that makes the same commodity, and in the competing country they pay 10 or 15 cents an hour, how do you overcome that?

Mr. TAFT. Senator, there are two different points which you are raising. One of them is whether you can find out what the costs are. If you have an American company which is manufacturing here and abroad—and you are going to have the privilege today, I hope, of hearing from Mr. Rivinus, of Smith, Kline, and French, who will give you some exact figures on costs from his own experience. In spite of wages, in a good many of the countries, including India, which, of course, has very low wages, they can produce more cheaply here in the United States. The other question you are raising is whether you can find out what those costs are. And I would like to submit for the record our comment on the study made by the National Industrial Conference Board for the National Electrical Manufacturers Association, to which Mr. Price referred in the House, and I think perhaps also here in the Senate.

(The information referred to follows:)

THE UNITED STATES ELECTRICAL MANUFACTURING INDUSTRY AND UNITED STATES IMPORTS

(Staff analysis of reports published by National Electrical Manufacturers Association and Prof. O. Glenn Saxon, Committee for a National Trade Policy, Washington, D. C., February 1954)

The National Electrical Manufacturers Association has recently published several studies of the electrical industry. One is a study by the National Industrial Conference Board and another is a report by the Stone & Webster Engineering Corp.¹ In addition, one of the electrical manufacturing companies had a report prepared by Professor O. Glenn Saxon, based on the material in the other reports and on additional data, which was published at the same time.

The principal points made in one or more of these reports can be summarized as follows:

1. A strong domestic electrical industry is essential for American economic progress, national defense, and health.
2. Imports constitute a serious threat to the strength of the domestic industry.
3. The domestic industry needs more protection than it now gets or it can get through reliance on present peril-point provisions or equalization of production costs and higher tariffs.
4. All imports of electrical parts essential to national security, the mobilization base, or the United States economy should be eliminated, and the philosophy of the Buy American Act should be broadened and its administration strengthened to prohibit all Federal Government imports of these items.

No one questions that a strong domestic electrical industry is essential for the United States. What needs to be examined is whether the industry is seriously threatened by imports and whether the complete exclusion of foreign electrical goods is necessary to achieve an admittedly desirable purpose.

The analysis which follows is directed to the claim that foreign competition threatens the domestic industry and therefore is dangerous to our national security.

At the outset it should be noted that it is only Mr. Saxon and not the National Industrial Conference Board who claims that the domestic industry is threatened by imports from abroad. It is true, as the conference board study points out, that imports of electrical goods have increased in recent years by a larger percentage than exports or total domestic sales of electrical machinery and apparatus. However, in 1952 imports had reached only \$27 million, or the equivalent of one fourth of 1 percent of the total sales of the domestic industry, while ex-

¹ The third report containing an analysis of laws and regulations affecting the industry, which was prepared by the law firm of Donovan, Leisure, Newton & Irvine, is outside the scope of this economic discussion.

ports had reached \$616 million, and total sales of the domestic industry had reached \$13,740 million.

From this material provided by the conference board, Mr. Saxon makes the surprising argument, tries to argue that the threat from abroad is of great concern because even the small quantity of imports can undermine the price levels of a highly competitive industry and thereby effect its ability to support research, development and the productive strength of its entire organization. It is difficult to imagine that one-fourth of 1 percent of total sales could so undermine the price levels as to threaten the industry's ability to support research, development and productive strength. In any case, Mr. Saxon leaves his contention otherwise unsupported.

With so little to indicate that the domestic electrical industry is threatened with the present level of imports from abroad, the reports published by the industry have devoted the major part of their attention to a comparison of foreign and American labor costs in the production of electrical machinery and apparatus.

The National Industrial Conference Board report contains a vast amount of material directed toward the problem of cost per unit of output here and abroad.

It is worth mentioning that differences in labor costs do not necessarily mean a competitive disadvantage when other elements of total cost are included. It is also useful to bear in mind that even if an American industry should be found to be at a competitive disadvantage with respect to a similar foreign industry, it does not follow that continued discrimination against the foreign industry is justified. It might still be desirable to assure such domestic production as is required for our defense by other means, so that we do not allocate any more resources than necessary to production at which we are less efficient than we are in other manufactured goods. These points are made, not because the conference board report demonstrates that the United States is at a competitive disadvantage in the electrical industry, but only to indicate that even if that were demonstrated, the case for complete exclusion of electrical goods manufactured abroad would still remain to be proved.

The fact is that the conference board found no satisfactory basis for a comparison of labor costs per unit of output here and abroad, as a close reading of the report makes clear. For instance, on page 136, the study contains the statement that "Internationally comparable labor cost figures in the electrical equipment industry are virtually nonexistent for the countries under study in this report." Also on page 136, it is stated that "No information at all exists concerning two factors which have an important direct influence on labor cost. These are quality or style differences of certain products and mechanical equipment per production worker, which is of primary importance in any competitive analysis of output per worker." Again, on page 140, it is stated that "Data are not available from regularly published sources that permit a comparison of the cost of production in the United States and abroad."

What the conference board study attempts to do is to meet the problem of such cost comparisons (1) by an indirect method of measurement, which results in no relevant conclusion at all, (2) by individual case studies, based on only six cases, which themselves show no conclusive results, and (3) by reliance on an engineering opinion about general effectiveness of production, which is not sufficiently described to permit any clear judgments to be made. The board also cites some illustrations of comparative price quotations in foreign countries. These three types of measurement, as used by the National Industrial Conference Board, are described more fully below.

1. THE INDIRECT APPROACH TO COMPARISON OF LABOR COSTS

The conference board compares wage payments per man-hour here and abroad and finds that in 1952 wage payments in eight Western European countries, adjusted to a man-hour basis, were lower in relation to those of the United States than they were in 1938, but that in Japan, the only non-European country for which figures are given, they were slightly higher. As the conference board itself points out, this proves nothing about competitive labor costs per unit of output since such a proof requires a comparison between output per man-hour in the United States and abroad, a comparison which the board is unable to make.

Again, the board attempts an indirect approach, and turns to figures on the trend of output per man-hour within several countries over several years since

the prewar period. The paucity of information, however, is so great that all the board is able to give is a series of fragmentary figures. For the United Kingdom, Italy, Sweden and Switzerland, no productivity data at all are given. For Germany, Belgium, Poland and Japan, the trend of labor cost can be measured only for the period after the last war, when those countries had suffered enormous wartime destruction and disorganization and had not returned to normal production. Only for France is it possible to estimate even the national trend of labor cost per unit since a normal prewar year.

Even if the trend of output per man-hour since before the war were available for countries besides France, nothing would be proved, since the trend within a country does not permit a comparison between countries. The board, therefore, cannot carry the method through to a comparison of labor cost per unit.

Instead, it branches off into a comparison of the electrical industry's ratio of labor cost to production value abroad and in the United States. This ratio is shown to have declined in foreign countries during the postwar period. Precisely how the figures move need not be explained because this ratio cannot indicate anything about comparative labor costs in any event. A fall in the ratio of labor costs to total production value could mean (1) that labor costs fell to a level lower than in the United States, but it could also mean (2) that labor costs fell from a high level and still remain above those of the United States, or (3) that foreign labor costs actually rose but that foreign nonlabor costs or profit margins rose faster. The NICB itself indicates or implies that the second and third possibilities explain at least part of the decline in the ratio when it says that its steeper decline for the 1948-52 period in most of the foreign countries "is explained partly by the fact that in 1948 output in the various foreign countries was still very low while employment was high (i. e., productivity was very low), and partly by the fact that wages abroad in this industry have not kept up with inflationary price increases to the extent to which they have done so in the United States" (p. 134).

In short, it is impossible to make a comparison of absolute levels of labor cost per unit between countries unless the relationship between the absolute levels of labor cost or of output per man is known for some period of time. This is precisely what is not known or provided by the conference board report, through no fault of its own but merely because the required data are not available.

2. THE CASE STUDY APPROACH

In developing case studies, the National Industrial Conference Board obtained data from American companies with overseas plants or licensees. The judgment of these American companies was accepted, by and of itself, as the only proof of the comparability of production costs. The board apparently did not have much confidence in this information, for it introduces the data by pointing out, at page 141, that "Information was not available as to the exchange rate or rates used to convert foreign costs so as to make a comparison possible. Consequently, it is not possible to tell what distortion, if any, is inherent in the figures by reason of being converted from the foreign currency. Furthermore, no data are available on the rate of capacity operations to which the following data relate * * *. The use of standard costs (evidently not incorporated in the data below) would have avoided this shortcoming. The cost data are presented as received with practically no change from the original."

Cases from only six companies were presented. In the first, production costs in Italy were assumed by the United States manufacturer to be roughly equal to his own. For 1 of the 2 products involved, costs in Germany were believed to be equal to the costs in his own plant, but the plant he is talking about is in the United Kingdom. In Great Britain and, for the second product, in Germany, he estimated that costs were roughly a third less than in his plant (whether in the United States or the United Kingdom is not stated). This case is hardly a convincing demonstration of disadvantage for the American electrical industry.

The second case contained no comparison of absolute costs but only the percentage distribution of the components of total cost.

In case No. 3, it was found that the products could not be produced any cheaper in England and Germany than in the United States.

In case No. 4, which involved the foreign plant of a United States company, costs ranged from 46 percent of United States costs in Brazil and 57 percent in the United Kingdom to 108 percent in France.

In case No. 5, costs were found to be roughly the same as in the United States.

In case No. 6, involving a petroleum refinery and not an electrical manufac-

turer, operating cost was thought to be somewhat lower abroad but the original investment was higher than would be necessary in the United States.

Aside from the defects in terms of the comparability or the representative character of the cases studied, it is obvious that these cases do not confirm a generalization that labor costs are lower abroad.

3. THE APPROACH BASED ON AN ENGINEERING OPINION ABOUT GENERAL EFFECTIVENESS

The conference board provides the evidence of American engineers, who visited important manufacturing plants in seven European countries after the outbreak of the Korean war, as to relative general effectiveness in the use of labor and material in making apparatus, lamps, and radio tubes in these countries and the United States, and relative labor rates, excluding employers' social-security costs and other indirect wage payments. It is stated that, by relating the two, labor costs are shown in each case to be considerably below those of the United States.

In the first place, "general effectiveness" is undefined. It may refer to efficiency in using the equipment that was available rather than to output per man-hour. In that case it would take no account of any superiority which the United States industry may have in equipment. Further, it is stated, at page 160, that the ratio of general effectiveness represents a comparison of European performance with that of a top-notch manufacturer in United States. Whether the European plants visited were also top notch is not stated. The information given is so scant that it is not possible to appraise adequately the evidence obtained through this approach.

SPECIFIC INSTANCES OF FOREIGN UNDERBIDDING

The conference board study also cites examples of foreign and United States price quotations for heavy electrical equipment in several Latin American and Asian countries. Of 121 different quotations, 24 were above the lowest United States bid, 2 were the same, and 95 were below the lowest United States bid.

It is not clear, however, whether these cases are representative of the general experience of United States manufacturers in bidding against foreign competitors. If United States manufacturers submitted them to the conference board in order to illustrate that in some cases they are being underbid, the cases are certainly not likely to be representative.

Mr. Saxon's report is stated to be an appraisal and interpretation of the facts presented in the other reports, so we may suppose that its economic sections are based on the economic report of the National Industrial Conference Board.

It has already been pointed out that in terms of the general position of the industry, Mr. Saxon concluded that imports of one-quarter of 1 percent of total sales of the domestic electrical industry are a serious threat.

In commenting on the conference board's first approach to the comparison of costs (the indirect approach to comparative labor costs), Mr. Saxon says that the data given "establish a surprising, and not previously known fact, that these labor cost advantages (of foreign countries) have increased in the postwar years" (p. 80). Since neither absolute labor costs abroad nor the relation between these costs and those in the United States were available to Mr. Saxon or to the conference board, there is no way of knowing how to interpret the conference board figures. They tell us nothing about whether foreign labor costs per unit have fallen or risen since prewar years. Even if these costs have fallen, that might mean that foreign labor cost advantages have increased but it might also mean merely that foreign labor cost disadvantages have decreased.

The conference board does not conclude from its own statistical approach or from the manufacturers' case studies that foreign labor costs are lower; it is only in citing the engineering opinion that it actually says this. When Mr. Saxon summarizes the conference board report on labor costs, however, he states that it is "conclusively" established "beyond doubt" that "foreign competitors enjoy overall labor cost advantages of substantial, but varying, degrees over United States manufacturers of electrical equipment" (p. 80).

Mr. Saxon's claims, if fully accepted, would indicate that the American electrical industry is in dire straits. Certainly nothing in the reports published by the American electrical industry bears this out.

The domestic industry's exports are vastly larger than imports of electrical equipment. If exports continue to rise, the electrical industry's share, even if the rise is a moderate one, would exceed the value of a considerable percentage

increase in imports. For example, if a reduction of trade barriers increased United States imports by a billion dollars a year over a period of time and permitted an increase of total exports of \$750 million a year, then, on the basis of the electrical industry's 1952 share in total United States exports (4 percent), its share of the \$750 million increase would be \$30 million, or more than the total of all imports of electrical products in 1952.

It is hard to accept Mr. Saxon's contention that our domestic electrical industry, which is admittedly a key factor in our defense program, is under serious threat from competing foreign goods.

TIGHTENING "BUY AMERICAN" RESTRICTIONS

One final argument, derived from the report by the Stone & Webster Engineering Corp., is that the purchase of foreign electrical equipment by our Government will result in a reliance on foreign spare parts which could be disastrous to us in an emergency. To meet this danger, Mr. Saxon proposes that the philosophy of the "Buy American" Act be broadened and its administration strengthened to prohibit the use of any Federal funds to purchase imports of heavy electrical machinery and equipment and all other custom-built items vital to the United States economy and national security. Surely the elaborate machinery of "Buy American" legislation is unnecessary to protect us against such a possibility. It would be a simple matter to write specifications for equipment in such a way that the machinery could be serviced and the parts could be replaced domestically if foreign sources were shut off.

As is true in many other aspects of the problem, there are readily available means for protecting our defense interests without the continuation and proliferation of trade barriers. Complete and absolute protection of American industry against competition is not likely to result in a vigorous and growing economy.

Senator MILLIKIN. Let me ask you this, Mr. Taft. Do you challenge the fact that there is a vast disparity between some labor cost elements in foreign countries and in this country?

Mr. TAFT. No; not at all. All I am saying is that it isn't labor cost but the costs per unit of production which are important in determining manufacturing costs and unit costs are seldom lower in the foreign countries than they are here.

Senator MILLIKIN. And if they are using the same machinery and have equal access to materials making the products we use, how can there help but be a substantial difference in cost?

Mr. TAFT. I would like to tell you what I wish Mr. John Coleman, the chairman of our committee, could have told you had he been able to testify, what Mr. Batt referred to in his testimony a couple of days ago, and that is something about this question of skills and how they relate to costs. The fact that you have slave labor or low-cost labor does not mean low-cost production. Normally, it means high cost production. There are three reasons for that. One is that you have better executive management in the United States. The Chicago Labor Relations Institute is making a study of management practices on the Continent, and their tentative conclusions are that we have twice as many in management as they have on the Continent, that we provide services which involve eventually the use of manpower, and that that use of manpower therefore is far more efficient in the United States than it is in most of the others.

Senator MILLIKIN. We have had witness after witness—I suppose we have had a dozen witnesses—and it shouldn't be assumed that all—

Mr. TAFT. All I can say is that they tell different things to their stockholders than they tell you.

Senator MILLIKIN. I will assume that they tell us the truth, at least there is an average of truth between all the witnesses.

Mr. TAFT. I can agree with you on that.

Senator MILLIKIN. And that there is a unanimity of opinion among the witnesses as to their gross differences in unit costs, if you wish to put it that way.

Mr. TAFT. I haven't quite finished my answer. There are two other items involved.

Senator MILLIKIN. Let me say here one more thing before you finish your answer. We have been told again and again that the cost of producing the stuff, the labor costs, material costs, the management costs, all costs—we have been told again and again that as far as the labor cost is concerned, after a very brief period of training, foreign labor is able to put forth as efficient a job as we are able to do ourselves, and that there is a gross disparity in wage costs.

Are you making the contention that there is no gross disparity?

Mr. TAFT. Absolutely. And the best test, Senator, is that we are able to export ten to twelve billion of goods in competition with these very manufacturers continuously.

Senator MILLIKIN. I suggest one answer to that is obvious, and that is we give them the money to buy it.

Mr. TAFT. No; this is outside of any aid or any kind of thing. This is a question of competition in foreign markets, and a large part of it in Canada and Latin America, with the foreign manufacturers that you are talking about.

Senator MILLIKIN. I am not saying that we don't have some exporting advantages, but I am also calling attention to the fact that a lot of benefit comes from our financing, furnishing them with the most modern machinery. A lot of foreign manufacturers in textiles, as witnesses have told us time and time again, we have supplied them with the money to provide themselves with more modern machinery, in some cases better than we have in this country.

Mr. TAFT. The imports of textiles in competition with American producers amount to only one-half of 1 percent of our production. Not only that, but in answer to what you are saying, in my testimony in the House I referred to a speech made by Matthew Cuffe, who is the president of the Textile Export Association, in which he stated that the American cotton textile producers, in a long list of goods, in the bulk of our production of textiles, we are the most efficient producers in the world—and he is talking about costs, unit costs.

Senator MILLIKIN. I am talking about a witness—

Mr. TAFT. He didn't come up here and say that, but that is what he said outside.

Senator MILLIKIN. I am talking about a witness who was in here yesterday, for example, who showed us the goods, and said—I forget the figures—but it is brought in here at a cost of a third or a fourth of the American cost.

Mr. TAFT. Senator, you have got in the first place quality—

Senator MILLIKIN. The quality difference is indiscernible.

Mr. TAFT. American quality is commanding a premium all over the world. A man in Cincinnati who sells valves told me that he had been selling valves in South America at a 40-percent differential. That is quality.

Senator MILLIKIN. I am suggesting to you that this witness yesterday loaded this desk with the competitive articles made in Japan, for

example, and made in this country, and the difference of quality, if any, was not discernible, and the cost of landed product is much less than it costs to manufacture the same thing in this country.

Mr. TAFT. Senator, except for some distress sales the last year, there has been no increase in the importation of cotton textiles into the United States on any substantial basis, not as much as the normal production of the United States. It is not coming in, it is not competing, and our producers are selling over 600 million square yards outside the United States in competition with those same goods.

Senator MILLIKIN. I am suggesting to you that that line of testimony runs counter to everything we have heard here.

Mr. TAFT. They sold over 600 million square yards abroad last year, and it is in competition with this very same stuff that he came up here and showed you.

Senator MILLIKIN. I am talking about what happened in this country.

Mr. TAFT. In this country they have only imported a total of 50 million square yards over this entire period, per year.

Senator MILLIKIN. I am telling you what he testified to as to the costs.

Mr. TAFT. I am telling you all the facts.

Senator MILLIKIN. There is a discrepancy.

Mr. TAFT. I am getting the facts from the Department of Commerce and the other governmental agencies, from the Tariff Commission. We have compared the figures that I give with those of Mr. Murchison, who testified to the House and who didn't appear here, and they agree; the figures agree. He just didn't give them to you.

Senator MILLIKIN. I am not challenging your witnesses on the matter, but we have had witness after witness who have testified contrary to what you have said and to whatever facts that you have gotten from any source.

Mr. TAFT. There are two other items which I was not able to complete on the question of competition. In the first place—and this applies also to the kind of skills which it is essential to preserve—not so long ago an advertisement appeared, which I see now has been put in the Congressional Record, signed by General Bradley. He said for example that in the case of a bomber, which was produced in the United States and on which there were 3,000 jewel bearings, that these bearings could only be produced by watchmaking skills.

I telephoned to the Boeing Aircraft Co., and I confirmed this yesterday, and got their permission to state this, that of those 3,000 jewel bearings which are in plane instruments, not one is made by a watch company. I have the entire list of bearing suppliers here. I will give you a few of them: Westinghouse—that is an electrical instrument—Pioneer, which is Bendix—Sperry, RCA, Lear, Minneapolis-Honeywell, GE, National Gage, and so on. These bearings are not made by watch people, and those particular skills, therefore, are not skills which have to compete with the watches made in Switzerland. The reason for this is that when you get a particular kind of gadget—and I have here a fuse for a 37-millimeter gun—when you get the particular gadget like this one, it is dreamed up by an engineer who is of the imaginative type. This is an absolutely essential skill. And

that is something in which the Europeans are, perhaps, as good as we are.

However, after you get this you have the problem of production—of automatic duplication in very large numbers. And ordinarily this imaginative engineer cannot design the dies and the production machinery for putting out this fuse, it has to be someone who has particular skill in layout.

Now this skill is not special to watches, nor for anything else. It is a general layout skill for any kind of production. If he has a die which is a long die, he gets that into the simplest possible form; he cuts it up into pieces, and he plans how this is done in a plant.

The production may require tolerances of a millionth. General Bradley said that the watch people were the only ones that could do that. This particular fuse I have was made by Burroughs, by American Safety Razor, and by Yale & Towne. They had the kind of people that could produce it. There is in these two little cups, which are on the inside of the fuse, tolerances of a millionth. In addition to that, you have the Norden bombsight. The design for production of the Norden bombsight was made in the laboratory, not at a watch company, but of the Burroughs Corp. And the first print of that which Mr. Norden delivered, had a tolerance of zero. The tolerance of zero, of course, can't be reached. If you could, you could throw the thing up in the air and it would stay there; there is a gyroscope in it. Then you have optical flats. These are not made by people with optical skills, because the optical flat is tested by a stroboscopic light, and that can be operated by a girl that has had training of 2 to 6 months.

Neither the Europeans or anybody else have got the skill that is necessary to make this kind of article as a low-cost product.

Senator MILLIKIN. To the extent that that is true, there is no injury. But if they export a product which does seriously injure the American producer, we should protect the American producer, should we not?

Mr. TAFT. I would raise a problem with you. I have here a newspaper clipping reporting on a statement by George Doxiot, of the Graduate School of Business Administration, Harvard, in which he says that the layout of the textile machinery operation for textiles is fairly inefficient. Now, I don't know. I am simply telling you what he said. If that is so, should industry be protected, or should they be pushed to improve their technology?

Senator MILLIKIN. I don't for a moment object to the idea they should be pushed to increase their technology, but you can't push a man that you have put out of business.

Mr. TAFT. That is right, it ought to be on a gradual basis; I agree with you; that is what I said in my statement.

Senator GEORGE. Any further questions?

Senator KERR. Mr. Taft, whom do you represent?

Mr. TAFT. I represent the Committee for a National Trade Policy.

Senator KERR. Who is the Committee for a National Trade Policy?

Mr. TAFT. The Committee for a National Trade Policy is made up of about a thousand business people—mostly business people, a few others. It has a board of directors of which John Coleman, of Burroughs, is chairman, Mr. Batt, whom you heard a couple of days ago, formerly of SKF Industries, of Philadelphia, is the secretary.

Senator KERR. He is now retired?

Mr. TAFT. Yes; although he called us yesterday to say that he was not wholly retired, he didn't want the committee to think that he was entirely out of business. I don't know the exact thing—he will have his statement corrected in the record on that—but he is substantially retired from SKF.

We have Harry A. Bullis, chairman of General Mills; John F. Fennelly, of Glore, Morgan & Co.; John J. McCloy, chairman of the Chase Bank; John A. McCone, of the Joshua Hendy Corp., San Marino, Calif.; Charles H. Percy, who testified in the House, president of the Bell & Howell Co.; B. E. Richmond, general manager, Richmond-Chase Co., San Jose, Calif.; which produces prunes and canned goods, is one of the largest canned goods producers; James Schramm, who is head of the Schramm Co., which is a retail department store chain in Iowa. He is the former—maybe I shouldn't mention that—he is the former State chairman of Iowa on the Republican side.

Senator MILLIKIN. Good.

Mr. TAFT. He testified in the House, but he is in Europe, Senator, so that I couldn't have him here to strengthen that side.

Senator MILLIKIN. What good does he do the Republicans in Europe?

Mr. TAFT. He is coming back before the primary, Senator.

Russell Smith, who is executive vice president of the Bank of America in San Francisco; Morris Rosenthal, former head of the Importers—

Senator KERR. The big oil companies in Europe.

Mr. TAFT. Some of them are members.

Senator KERR. Which ones?

Mr. TAFT. I don't recall. There are about 6 or 8, some large, some small.

Senator KERR. Is the Standard of New Jersey one?

Mr. TAFT. The Standard of New Jersey, I think, has been a contributor, I am not sure whether they are a member or not.

Senator KERR. Shell?

Mr. TAFT. No, sir.

Senator KERR. Gulf?

Mr. TAFT. I don't know.

Senator KERR. Texas?

Mr. TAFT. No.

Senator KERR. Standard of New York?

Mr. TAFT. No, sir; I am sure not.

Senator KERR. Standard of California?

Mr. TAFT. I believe so, yes.

Senator KERR. You are aware of the fact that those 5 American companies, together with 2 foreign countries, control upwards of 90 percent of the known oil reserves in the free world?

Mr. TAFT. Well, I am not an oilman, Senator, as you are. If you say so, I will take it without any argument.

Senator KERR. Well, that was the statement of Mr. Holman.

Mr. TAFT. I don't doubt that is correct.

Senator KERR. And something like 75 or 85 percent of all the known reserves of the free world are in the Middle East.

Mr. TAFT. Well, I have heard arguments about that. I had lunch with Mr. DeGolyer, who is one of the top ore engineers, I guess you

know him, and I am not sure he would say that. As I said, I am no expert, and I don't know the figures.

Senator KERR. They are in that neighborhood?

Mr. TAFT. You would know more about it than I would.

Senator KERR. And the cost of oil to find it and produce it and put it on tankers there is about 10 percent of what it costs in this country?

Mr. TAFT. Senator, I wouldn't blame any domestic producers for being scared about those reserves. I wouldn't blame them at all.

Senator KERR. You wouldn't blame anybody connected with the domestic industry favoring the objectives of the President's Cabinet committee?

Mr. TAFT. Well, I am not entirely sure about what they had to say; but in general, no, I would not. I would have to say this, though, Senator, that the present situation is certainly not adverse so far as the oil producers in this country are concerned, including the small ones. Before you came in, I cited the fact that the smallest of the producers have had a larger increase in production over a period of 6 or 7 years than any of the other groups, the ones in the middle, the larger independents, have come next, and the large ones to which you refer have had the smallest increase in production over a period of 6 or 7 years, something of that kind—1949 to 1954, that was.

Senator KERR. When you testified in the House you were under the impression that the production of crude oil in 1954 was running at an annual rate of 6,918,000 barrels a day as compared—

Mr. TAFT. I didn't testify to that subject in the House, sir, that may be the statement that I issued in connection with the Cabinet Committee's report.

After the first run on that statement was made, we found that that figure was in error.

It should be 6,342,000. The figure in the statement that you have, if that is what it is, may be incorrect in that respect.

Senator KERR. Incorrect as to the figures, and as to the conclusion, which was that domestic production in 1954 exceeded what it was in 1953.

Mr. TAFT. Yes; that is correct, sir.

Senator KERR. Are you aware that the last 4 years' domestic production has generally been decreasing up until this year?

Mr. TAFT. I understand that 1953 was the year of peak production, Senator. I really shouldn't get into a discussion of statistics with you. I would have to be briefed on this kind of thing. I am not an oilman, and you know a lot more about it.

Senator KERR. And domestic consumption is increasing every year, so that actually for the last 4 years this situation generally has prevailed, there may be periods when it may have been different, but the general trend for the last 4 years has been this, that while there has been a considerable amount of increase in the domestic consumption, the amount of increase, plus an additional amount, has been supplied by increasing foreign imports, and the overall amount that has been supplied by domestic production has been reduced.

Mr. TAFT. Senator, I have the figures here from the United States Bureau of Mines on domestic crude oil production in thousands of barrels daily. In 1948—

Senator KERR. I am talking about the last 4 years.

Mr. TAFT. All right. But I think I had better give it before. In 1948, 5,520,000; 1949—

Senator KERR. Would you give them a little slower. I would like to write them down.

Mr. TAFT. Surely. 1948, 5,520,000; 1949, 5,046,000; 1950, 5,407,000; 1951, 6,158,000; 1952, 6,256,000; 1953, 6,466,000; 1954, 6,342,000.

Senator GEORGE. Is that production per day?

Mr. TAFT. Yes, sir.

Senator KERR. Now, do you have the consumption for those years?

Mr. TAFT. I don't believe I have.

Senator KERR. Do you have the imports for the last 4 years, since those same years?

Mr. TAFT. I will see what I have. I don't know. I haven't had to use them before, Senator, because you can't cross-examine me as an expert on oil.

Senator KERR. Well, you have made some pretty broad statements here in your statement.

Mr. TAFT. Yes; I do have it here, Senator.

Senator KERR. You said that those who propose this bill are "professional pessimists, and their wails of anguish are heart rending."

Mr. TAFT. I wasn't talking specifically about the oil business, because most of this discussion has been about manufacturing.

Senator KERR. You said when—

any opponent of this legislation appear before this committee they are professional pessimists and their wails of anguish are heart rending.

Mr. TAFT. Well, that may apply even to some of the oil people, because my information is that the independent oil business is on a fairly sound and satisfactory basis now. I have said to you that I think their fears for the future, if imports come in from the Near East, may certainly have some basis. I will give you the figures for crude oil imports, if you wish.

Senator KERR. Fine.

Mr. TAFT. In 1948, 351,000 barrels daily. 1949, 421,000; 1950, 487,000; 1951, 491,000; 1952, 573,000; 1953, 648,000; 1954, 656,000.

Senator KERR. Now, do you have the residual fuel oil imports for the same time?

Mr. TAFT. I am getting educated, Senator. I think I have.

Senator KERR. You sure are, because your figures are not accurate.

Mr. TAFT. They are taken from the Bureau of Mines publications, that is all I can tell you.

Senator KERR. I didn't say where they came from, but I say that unless they refer to only part of the imports they are not accurate.

Mr. TAFT. But I think that a laymen is going to have to rely on the Bureau of Mines unless he finds a better source.

Senator KERR. You said here that post cards coming into the Congress carry statements that the prim circulators must know to be lies.

Mr. TAFT. Yes, sir. I showed one on imports in the United States. That is the post card I am talking about. I meant to put it in the record.

Senator KERR. But you make general statements.

Mr. TAFT. No, sir; I brought it up.

Senator KERR. You say :

I cannot refrain from expressing here my sense of outrage at those who have played upon this kind of natural fear and have induced innocent workmen, willingly or unwillingly, to flood this Congress with post cards which carry statements that the prime circulators must know to be lies.

Mr. TAFT. Yes, sir. I gave the post card, and I showed why it was a lie.

Senator KERR. But the point is, that statement is fairly general.

Mr. TAFT. I testified before this committee, and I made a very specific statement, Senator—

Senator KERR. I am reading your statement.

Mr. TAFT. I understand. And I testified here before you came in. And I have got the post card. And I am going to put it in the record.

Senator KERR. That is fine. You don't take the position that you are the only—

Mr. TAFT. That every post card is a lie? No, sir.

Senator KERR. You don't take the position that you are the only informed witness or the only honest witness that has been here?

Mr. TAFT. Certainly not, Senator.

Senator KERR. Well, that is comforting. I had a kind of profound sense of shock as I read it.

Mr. TAFT. Senator, I had a responsibility for this program in 1945 when I was in the State Department. I testified on it in 1948. I have had some responsibility for it now for almost 2 years. Now, I expressed there my very strong personal feeling about the people who have come in here and testified on all three occasions and have repeated statements which do not give all the facts—very few of them are outright misrepresentations, but I have referred to the advertisement—and I gave a sample of it here and showed why that was a misrepresentation—and I gave the post card which was an outright lie. And that was an extreme sample of the kind of testimony that has come here. And to have the gentleman from the cotton industry yesterday come in here and describe this 50 percent provision on items that come in only in negligible quantities as being a crucifixion of the textile industry, that, I will say, gives me a sense of outrage.

Senator KERR. Now, you are outraged at the people who don't tell all the facts, is that right?

Mr. TAFT. No, sir. I just told you what I was outraged about.

Senator KERR. I was reading from your statement in here, which seems to me to be more general than your application, frankly. And then I read over here in your statement where you state that out of the 51 Tariff Commission cases under the escape clause, the Tariff Commission itself found no injury in 36.

Mr. TAFT. That is right.

Senator KERR. That leaves 15, doesn't it?

Mr. TAFT. That is right.

Senator KERR. Did they find injury in those 15?

Mr. TAFT. I will give you the summary of them, Senator.

They found injury in 12 cases where the Commission had a majority vote, that is, more than just an even split. There were three investigations in addition to that in which the Commission was evenly divided, but the case went to the President anyway, even though it was an even split.

Senator KERR. Now, the ones in which the majority found injury, which was 12, or the ones in which half the members found injury, which was 3, how many of them did the President give relief in?

Mr. TAFT. I think the answer to that is 5, Senator; and 10 in which he decided not to do so.

Senator KERR. In other words, the fact that the Tariff Commission found injury in the first place doesn't make it certain that relief will be granted, does it?

Mr. TAFT. No. This is a case which I discussed with Senator Millikin before you came in as to what is injury. And in a substantial number of cases, the President disagreed. not with the facts which the Tariff Commission found, but with their definition of injury.

Senator KERR. While you might not agree with the Tariff Commission, their finding of injury, in your judgment, is an expression of their honest conviction based on the hearings before them.

Mr. TAFT. No question about it. But this becomes a question of how you define injury, Senator. And I gave in my statement there, which I see you have read, two cases where, in my judgment, there is no injury, and where the President at least in some cases, and sometimes the Tariff Commission, has sustained that judgment on it—and there could be others. The Senator from Colorado raised one question in the case of coal, for instance, where you may have a loss of market for 155 million tons in coal and only 11 million of which is possibly due to residual oil, and you may have on the other hand the threat of the loss of the exported goods that are paid for by that oil, which might involve far more unemployment than the 11 million tons of coal replaced by oil.

There you have two injuries, and one is larger, in my judgment, than the other, and you have to balance the two.

Senator KERR. But with reference to those that were injured, it was just as real as if it constituted a majority, wasn't it?

Mr. TAFT. There is no question about that, Senator. And I have been in the relief business from a long way back. I know exactly what is involved here. I was chairman of the welfare committee of the Cincinnati Council in the recession of 1937-38, I had to open a relief office, because unemployment doubled in a period of 4 months.

Senator KERR. Is it your position that we ought to operate a program here to create more relief clients to be taken care of?

Mr. TAFT. Senator, this kind of readjustment is going on in the United States every single month and every single year. And it helps to produce a more efficient, a stronger economy, which is better able to stand up against the Russians.

Senator KERR. In other words, you believe in the full implementation of the laws of survival of the fittest.

Mr. TAFT. I do not. But I certainly want to point out to you that Samuel Gompers, who was the distinguished head of the American Federation of Labor, came from the cigar-making union, which was a hand operation and which had to go out of business. And the people that went into that business in Erie, Pa., when it was still hand made, lost out before they got through. And I am glad that our system operates that way.

Senator KERR. It works on the basis of the elimination of those who are not the fittest.

Mr. TAFT, Senator, it has been described by Phil Reed, who went to England as the chairman of one of the first exchange committees of labor and management under the Marshall plan. And his report on England was that they had a cartel mind which divided markets and fixed prices and protected the fellow at the end of the procession. And that is why England is no longer the first in industrial production as it was in the 19th century.

Senator KERR. That is a very interesting—

Mr. TAFT. That is a good Republican doctrine, too, incidentally.

Senator KERR. That is a very interesting academic statement.

Mr. TAFT. It is not academic, because it has given England plenty of headaches. They have now learned that they have to go into productivity.

Senator MILLIKIN. May I suggest that the witness is not making any converts on that.

Mr. TAFT. My remarks were really directed over to the right while I was talking to Senator Kerr.

Senator KERR. I notice your regard for the general field and the general audience. And frankly, I am quite interested in the specifics of the questions I am asking you.

Mr. TAFT. Certainly, sir. I am usually criticized because I get too specific.

Senator KERR. I am not criticizing you at all. I do want to get back to what I was trying to say, that while that has considerable academic value, it is of little value to the thousands of lead and zinc miners in Oklahoma who are out of work, and the dozens of lead and zinc mine operators who are out of business in Oklahoma and Missouri and Kansas—

Senator MILLIKIN. And Colorado.

Senator KERR. And Colorado.

Mr. TAFT. Some of these remarks must be addressed across the line, too, Senator.

Senator KERR. They are addressed to whom they may concern, but I am looking at you.

Mr. TAFT. That is right.

Senator KERR. Who are out of business because of the fact that we are now importing more than half of the lead and zinc that this country is consuming, to the—well, to the ruination of a great American industry. And I gather from what you say that as long as it is possible for foreign operators or American operators, either, to find abundant supplies in other countries, and cheaper labor in other countries that they can use to bring those imports in here, that that is just the workings of the law of economics, and the casualties that are produced in this country should take comfort in the knowledge that they are the victims of the law of economic evolution and the survival of the fittest, and not let that make them feel too badly as they look at a home they are going to lose and a family they can't feed and a business they can't operate.

Mr. TAFT. Senator, I would only cite to you the instance of the wool industry.

Senator KERR. Let's talk about the lead and zinc industry.

Mr. TAFT. I am coming back to that. But if you put a tariff on wool and you put the price of wool up so high that people won't buy it at

that price, because they can get synthetics or some combination at a lower price, then increasing the tariff does not help the wool producer at all.

In the case of lead and zinc, if you put the price too high, you are going to find that the producers of lead and zinc who thought they were going to benefit by this are going to lose out, because the others who used lead and zinc are going to find cheaper ways of using lead and zinc and substitutes for them—that has already happened in zinc to a very substantial degree. It hasn't happened in lead because the price hasn't gotten quite to that point, and there happens to be a more stable kind of use for lead. But certainly there is a top limit to which you can put this price. And I would suggest that in normal peacetime that top limit would not reach a substantial number of fringe marginal mines where much of the unemployment has taken place due to the fact that you had very high prices during the pressure of both the Second World War and Korea.

Senator KERR. Would you be surprised to know that there is not a lead-zinc mine operating in New Mexico today?

Mr. TAFT. I would only point out that the low cost lead and zinc producers are making money, they made more money last year than they did the year before.

Senator KERR. They are all foreign—

Mr. TAFT. Absolutely not. I think the Senator is not informed about the income of some of these domestic mines.

Senator KERR. I think it is a great blessing for this committee to have before it a human encyclopedia that has all knowledge and all wisdom and who assumes that no member of this committee knows anything.

Mr. TAFT. I will give you the figures on St. Joe lead—

Senator KERR. You told me whom you were representing a while ago. Do you represent the Venezuelan Chamber of Commerce?

Mr. TAFT. No, sir.

Senator KERR. Have you ever?

Mr. TAFT. Yes, sir.

Senator KERR. Was it operated or contributed or supported by the big importers of the oil?

Mr. TAFT. Certainly it was, as well as by a good many other Americans. I was interested in it because I went to call on Cincinnati manufacturers, and those in Dayton, and nearby and other parts of the Ohio area which were shipping to Venezuela a very substantial amount of manufactured goods. And they told me what was up, and they were certainly not in favor of cutting off the oil that paid for the goods that they ship to Venezuela, and that employed American citizens.

Senator KERR. I can understand that. But I can understand your testimony better when I find out whom you represent.

Mr. TAFT. The committee I represent has a thousand members. We made up a list of the kind of members that are in the organization, and it is a long list. It covers 4 or 5 pages. I supplied a list of those industries to Congressman Reed and to Chairman Cooper in the House. I will be glad to put them in.

Senator KERR. I think it would be well to put it in.

Mr. TAFT. I gave it to them because I was asked for it. And I would be glad to put it in.

I didn't answer that question that you asked me. The net income reported for St. Joe lead in 1951—

Senator KERR. If you are going to enlighten the committee, don't do it on your supposition, if you have the report there, put it in the record.

Mr. TAFT. These are the figures that are reported to the New York Stock Exchange which we got from the official record: Total earnings in millions of dollars: The total earnings in millions of dollars of St. Joe lead, 1951, 13.6; 1952, 9.6; 1953, 6.3; 1954, 7.5. New Jersey zinc was 9.9 in 1951; 12.1 in 1952; 2.7 in 1953; 3.8, which is an estimated figure, in 1954.

Senator KERR. It went down from what to what?

Mr. TAFT. It went down from 12.1 in 1952, to 2.7 in 1953, and back down to 3.8 in 1954. I have also United States Smelting, American Zinc, Bunker Hill, and Hecla, which are the five larger zinc and lead producers, I believe.

Senator KERR. In the first place, were they imported in the form of products or not?

Mr. TAFT. I can't answer that, but they are the domestic producers who have been represented here by Mr. Herres and others.

Senator KERR. Do you know whether they have any foreign production or not?

Mr. TAFT. These companies are not foreign producers.

Senator KERR. Do you know that 33 $\frac{1}{3}$ percent of the imports in this country of lead and zinc are by American operators?

Mr. TAFT. That is true, because the smelters are on the east coast, and the ore therefore comes in to the east coast, whereas it never would be shifted from the mountains back to the east coast, except at a very great increase to the smelter, who himself employs Americans.

Senator KERR. But you are using examples here of five companies and saying that their profit indicates a justification for the amount of imports of lead and zinc.

Mr. TAFT. I didn't say that. I said that they made more money in 1954 than they did in 1953. And I said they were making money, which is true. What I would also say to the Senator is that if there is an increase in the tariff, insofar as these producers are concerned all they are going to do is to make more money. And most of the marginal mines—perhaps most—a large part of the marginal mines which are closed would not open unless the price got well over 15, lead and zinc, or a combination of 30. I think the 3-cent tariff proposes a price that would get to about 32, something like that. I question how many of the marginal mines would get over on that.

Senator KERR. How many of them are you familiar with?

Mr. TAFT. I am not similar with them, sir, I have got to get my information from sources I believe to be sound. And I have consulted a top-notch engineer on this subject.

Senator KERR. Do you think that you have a corner on accurate information?

Mr. TAFT. No, sir, I do not.

Senator KERR. Do you think it is possible that these operators themselves may be able to give this committee accurate information?

Mr. TAFT. I have debated it with Mr. Herres and Mr. Andrew Fletcher before. And the facts that I have given in general have not been questioned—the judgment, yes.

Senator KERR. Do you think that this committee is capable of getting accurate information from any other source than you?

Mr. TAFT. Certainly. I would advise you to get it. But on the other hand I would say also that this committee has not been in the habit of asking experts to come before it and testify. It has relied on those who have offered to come or who have been requested to come to give this testimony. I am not questioning that kind of an operation. That is the habit of this committee. But as a result, you have people who usually have an ax to grind one way or the other—I don't suggest for a minute, that I am not willing to have any of my facts challenged if they are wrong. You corrected one and I was happy to accept your correction. Usually I find the mistakes myself, and I gave the exact figures when you called my attention to the error.

Senator KERR. You haven't corrected this statement, so I take it you stand on it: "When any opponents of this legislation appear before this committee they are professional pessimists and their wails of anguish are heart-rending."

Mr. TAFT. That is a general statement which is in general true and which has certainly some exceptions.

Senator MILLIKIN. May I suggest to the Senator that it is a little bit more, coming from the mouth of Mr. Taft.

Senator KERR. I notice you state here in another place that only 20 percent of our imports consist of manufactured goods.

Mr. TAFT. I believe that is correct, sir. That is based, on Department of Commerce figures.

As you know, about 60 percent of our imports do not have any tariff at all. I did not say that there, but that is a fact.

Senator KERR. Do you not think that a fellow that is operating a lead and zinc mine that is going broke has enough experience to enable him to know some things about those?

Mr. TAFT. Yes; certainly, sir.

Senator KERR. And you do not think that we should deny either of them the privilege of testifying, or ignore their testimony in our deliberations?

Mr. TAFT. No, sir; I think you should try to get all the facts and balance all the facts when you get to the end of your hearing.

Senator KERR. Now, let us go back to 1 or 2 things, 1 at a time.

Is it possible that the companies that you named there as making money, domestic companies making money, in the lead and zinc business, are doing so by treating imported ores at the expense of the mines in this country?

Mr. TAFT. Well, that could be, Senator, but they are not typically importers or foreign operators. They are domestic mining companies. Only one, American Zinc, imports ores to any extent at all.

Senator KERR. Well, will you do this for the committee: No. 1, give us a statement as to the percentage of ores treated by them that were imported?

Mr. TAFT. Yes, I will try to get that.

Now, that may be information, Senator that you cannot get; I do not know, but I will certainly try to get it. We have to ask the companies or someone who gets it from the companies. I do not believe it is published. It may be. If it is, we will get it from that source.

Senator KERR. Well, I will tell you this, that I, as one member of this committee, am not going to pay any attention to evidence before this committee stating general conclusions with reference to the operations of the companies whose operations are so secret that this committee cannot have the information upon which those results were obtained.

Mr. TAFT. These are companies, Senator, that have testified in general, and have supported, in general, tariff protection or increased tariff protection.

Senator KERR. That is immaterial. You have used them as an example to sustain a statement.

Mr. TAFT. That is right.

Senator KERR. I say that, as one member of the committee, I would like to know how they made that profit, whether or not they import foreign ores.

Mr. TAFT. I will be glad to try to find out.

Senator KERR. Or whether they treated imported foreign ores which they buy from operations outside this country.

Mr. TAFT. I will be glad to find out, Senator, but I cannot guarantee it because it has to come from them.

Senator KERR. Now, the other thing I want to ask you, you gave the imports there for 1949 through 1954. Are you going to leave those figures here as your best information as to the amount of imports of foreign oil and foreign-oil products for those years?

Mr. TAFT. Yes, Senator. They are in the record. They were taken down as I testified.

Senator KERR. I understand. I took them down right here.

Now, I want you to listen to this question very carefully, Mr. Taft. Are you going to leave those figures as your best judgment, or your statement of accurate information, of the imports of crude oil and products for the years 1949 through 1954?

Mr. TAFT. I did not give you production. I gave you figures for crude oil imports.

Senator KERR. Well, I asked you for the production.

Mr. TAFT. I understood you to say residual. In one case I gave you residual.

Senator KERR. Now, Mr. Taft, you did not give me residual.

Mr. TAFT. Well, if I did not, it was because I got interrupted. I am sorry, I will give it to you now.

What year do you want me to give you on the residual?

Senator KERR. All I am asking you for is a figure representing the total imports of crude oil or products.

Mr. TAFT. Well, Senator, may I answer first on residual?

Senator KERR. You just answer it any way you want to.

Mr. TAFT. Well, wait a second, you told me I had not answered your question on residual. Let me answer that first, before I go after something else.

Senator KERR. I want to remind you that until your adviser corrected you, you told me that the figures you had given me represented the total of both crude oil and products.

Mr. TAFT. I will have to leave it for the record, Senator, I don't think I did.

Senator KERR. Well, I heard the answer; it is in the record.

Mr. TAFT. Well, my recollection is also pretty good.

Senator KERR. Then you said, well, "That did not include my figures on residual that I gave you."

Then I reminded you that you had not given me any residual figures.

Mr. TAFT. I will have to say again that it was because I did not get any chance to, Senator. Here are the figures on imports of residual fuel oil in barrels daily: 1949, 206,000 barrels; 1950, 329,000; 1951, 325,000; 1952, 351,000; 1953, 360,000; 1954, 353,000.

Senator MILLIKEN. Are those thousands of barrels?

Mr. TAFT. Yes; thousands of barrels per day.

So that the figures I have given are on the same basis. May I just look back and see what I did give you here? I do not think I gave you any imports of crude oil.

Senator KERR. Mr. Taft, for a man as positive as you are, your memory is not very reliable.

Mr. TAFT. Senator, I gave you the crude oil production per day domestically. I do not think I gave you the crude oil imports. I will be glad to give them to you now.

Senator KERR. Have you got them there?

Mr. TAFT. Yes, I have got them.

Senator KERR. Well, let me show you some figures you gave me, and see if they will refresh your memory.

Mr. TAFT. Yes, I know that table. That is the crude oil imports; and that is all I said.

Senator KERR. Well, you just said that you did not give me the crude oil imports.

Mr. TAFT. I—All right, Senator, I gave you the crude oil imports, but it does not include products.

Now, that is the question you asked me, and you claimed that I had included products. I said I did not include products.

Senator KERR. Well, that is the reason that I asked you if the figures you gave me did include products, and you said yes until your man corrected you.

Mr. TAFT. I did not. I can remember too, Senator.

Senator KERR. Well, the record will show it.

Mr. TAFT. The record will show it, and I am glad to stand on the record.

Senator KERR. Well, you will fall on the record. You better get something else to stand on.

Mr. TAFT. Senator, I have been standing thus far, and I am still standing, and I will stand on the record.

Senator KERR. Now, you have given me 2 sets of figures, 1 is crude oil and 1 is residual.

Mr. TAFT. Of imports; that is right.

Senator KERR. Now, is that the total imports of both crude and refined products of crude oil?

Mr. TAFT. I would say not, but I do not know whether I have the figures or not of the refined products. The amount of refined products that come in is pretty small.

As far as Venezuela is concerned, they send them to Europe, they do not send them here.

Senator KERR. Well, you see what I am trying to get into the record; and I am delighted to have here the man who either knows it or has access to it.

Mr. TAFT. To some of it, Senator.

Senator KERR. Well, the record is going to show to what degree it is, all of it or some of it.

Mr. TAFT. That is right.

Senator KERR. How much are the total imports of crude end products competing with domestic industry in that field?

Mr. TAFT. Well, I have some data here from the Bureau of Mines.

I have a table showing the total demand, production, and imports of all oils by years from 1938 to 1954 in barrels daily. That is broken down into domestic demand, exports, total demand, domestic production, and for imports it has "Quantity" in one column, "Percent of the domestic crude oil production" in the next, and "Percent of domestic demand for all oils" in the next, and then the "Percentage changes in stocks."

Senator KERR. Mr. Taft, I have the same papers that you do. I am only trying to get into the record certain facts; that is, the degree to which imported oil or products has absorbed whatever increase there has been in domestic demand, and to what extent increased foreign oil or products has replaced domestic production in furnishing domestic markets and demand.

Mr. TAFT. In the case of residual oil imports, it has replaced production of residual in the United States to a considerable degree.

The figures I have given in connection with fuel equivalent take domestic and foreign production in order to show the total replacement in coal by residual fuel oil. In the other cases, I am sorry that I cannot give you the specific figures on that.

Senator KERR. Would you indulge in an assumption with me, then, in the event I am going to talk about some figures that you neither know or do not have immediate access to?

Mr. TAFT. I will be glad to, unless I have some information that would indicate they are wrong, which I am sure will not be the case.

Senator KERR. If the record shows that imports of either crude oil or products is absorbing whatever increase there is in domestic demands and gradually replacing domestic production in supplying domestic demand, would you agree that that is a situation that should be corrected?

Mr. TAFT. I would say it is a situation that ought to be considered very carefully. But I should point out that our committee is against quotas—we don't think that is the way to correct the situation. Now, when you get into natural resources—and agricultural products are in that kind of an area—you find yourself in a position where the principles certainly are not the same as in dealing with manufactured goods. Nevertheless, my committee is in the position of opposing quotas.

Senator KERR. Then, I will ask you two more questions.

Mr. TAFT. Now, this is not a question of staff judgment about it. This is a question of discussion among the very substantial group of leading members of our committee, and that is where they came out.

I have told you that I think there is a distinction between this kind of an item, particularly where, like lead and zinc, national defense considerations are involved.

The question of the origin is very important. The general principles of defense is that the oil which we have to rely on, ought to

come from this hemisphere, rather than from overseas sources. That has been a long-time principle of the Defense Department, as I have known it.

That does make oil different, in my judgment, from the ordinary situation, but my committee still stands on the proposition that it should not be handled, in general, by quotas.

Senator KERR. Well, the same principle applies to lead and zinc.

Mr. TAFT. I included lead and zinc in that same kind of consideration, and we have taken the position there that it should not be handled by quotas but ought to be handled by stockpiling, and that is what the President actually did.

In the case of oil I understand that you cannot quite do that, so that there again you have got a problem which takes considerable discussion. Our committee has not given that kind of consideration to it.

Senator KERR. Let me just ask you a few more questions.

Mr. TAFT. May I give you just this reason for that?

The quota proposed 2 years ago on crude was one which would not actually operate. At that stage, the application of the quota would not have excluded any crude oil.

The proposed quota at this time would exclude, I believe, about 26 percent, something like that, of crude oil imports. That, at once, becomes a question of international trade and of stopping certain American sales of manufactured goods to Venezuela primarily.

That is why our committee has not had to face this question of the quota on crude up to this time, and our position at the moment is that we are against quotas on anything, including crude.

Senator KERR. You know that the quotas suggested would not, unless they compel Venezuela to divide their imports with others, the quotas proposed exceed the imports from Venezuela in this hemisphere.

Mr. TAFT. Well, that is true, but there is no way in which you can stop the companies that are not related to Venezuela from importing from other places.

Senator KERR. Now, which companies are those?

Mr. TAFT. I do not know. I do know that Creole and Standard of New Jersey, for example, import from Venezuela.

Senator KERR. Suppose you found out they are identical?

Mr. TAFT. I think they are not, Senator.

Senator KERR. Well, I say suppose you found out they are?

Mr. TAFT. In fact, I know of one company which is not concerned with residual oil from Venezuela or crude oil, so far as I know.

Senator KERR. So far as you know?

Mr. TAFT. That is right.

Senator KERR. Which one?

Mr. TAFT. I believe that is Texas. I may be wrong about that, but I am sure they do not import residual and I do not believe they import crude. I do not think Standard of California is involved either.

Senator KERR. I do not think they are either.

Mr. TAFT. That is why I say there is a difference of opinion there, and therefore there is nobody that can decide as to how that reduction by reason of quotas would be divided between the two.

Senator KERR. Well, I want to tell you that under the authority of this act they can decide everything else. Why could they not decide that? They could make the decision if the authority were given them, could they not?

Mr. TAFT. Well, Senator, curiously enough, I was the "rum czar" during the war on rum from the Caribbean, and we were not able to—

Senator KERR. I did not know you had been a "rum czar."

Mr. TAFT. I did not either, Senator, I do not often admit this; but I did have this question and we did have to fix at that time the quotas from various countries from which rum was permitted to come. So, it could be done under war powers, but I would have some doubts whether it would be either within our powers or, at any rate, advisable, to try to do it in peacetime.

I am still talking to the other side of the aisle, Senator, you understand.

Senator KERR. I know. You have addressed yourself quite often to other people and other subjects.

What is your concept of the basis for this law?

Mr. TAFT. You are talking now about the constitutional questions?

Senator KERR. No, sir; I am talking about the fundamental basis and justification for this legislation, both H. R. 1 in its present form and the long line of legislation which has grown out of it.

Mr. TAFT. Well, Senator, assuming that you do not mean the constitutional questions involved and that you mean the practical—

Senator KERR. Is your concept of the justification of this law that it is primarily to promote international trade and commence on a basis that is beneficial to the economy of the United States, or is it that the justification of this law is to put into the hands of the Chief Executive of the Nation an additional implement or vehicle to enable him to carry out his responsibilities in the matter of foreign relations of this country?

Mr. TAFT. I would say it clearly is the first, Senator. I would not exclude the other as part of the consideration, but so far as I am concerned, it is to improve the general economic situation in the United States and to provide a method for preventing continuation and substantial increases in the tariff and other kinds of restrictions.

Senator KERR. Then your concept of it is that the only justification for Congress to pass it, and the only constitutional provision under which we can operate, is to develop a program having to do with the leveling of imports, the regulation of trade and commerce, and achieving the overall objective of increasing trade and commerce between this and other countries as it is related to the improving and the developing and expansion of our domestic economy?

Mr. TAFT. No, Senator, I did not say "only." I very specifically said that the first alternative was the one that I would advance first, adding to it the method of handling the very difficult tariff problem. But I would also add that this does become very necessary in connection with our international relations and I would put that, as I did in my statement, as a secondary but a very important element involved.

Now, the two put together add up to a pressure of competition on our general defense economic base which, in my judgment, has strengthened it up to this point and, in my judgment, continuing on this same basis would strengthen it in the future and keep it the strongest in the world.

Senator KERR. Thank you very much.

Mr. TAFT. I would not say "only." I would certainly include the other.

Senator KERR. Thank you very much.

Senator MALONE. Mr. Taft, you certainly "covered the waterfront," and I will try not to duplicate the questions any more than I have to to cover the ground.

You have already inserted not only your board of directors but your membership of your organization into the record, have you not?

Mr. TAFT. No, sir; I gave you a few members in answer to Senator Kerr's specific questions and I said that I had offered to the chairman on the other side a list of the businesses, the types of businesses. I have not put in a list of the members of the organization.

Senator MALONE. I thought that the cross-examination by Senator Kerr had brought that out.

Mr. TAFT. No, sir; this was a list of the types of businesses, Senator, which I think is of some importance and which I will be glad to furnish and put into the record.

Senator MALONE. Well, would you just insert the members of your board of directors?

Mr. TAFT. Yes, sir; I repeated them, but there were a few that I did not cover, and I will be glad to put them all in.

I did not give a list of our board of advisers, who are the heads of various civic and business organizations and labor and farm organizations.

I will submit both of them for the record.

(The listing of the board of directors and board of advisers and partial industry classification of supporters follow:)

BOARD OF DIRECTORS

John S. Coleman, chairman, president, Burroughs Corp., Detroit, Mich.
 William L. Batt, secretary, Philadelphia, Pa.
 George L. Bell, executive vice chairman, Committee for a National Trade Policy, Washington, D. C.
 Harry A. Bullis, vice chairman, chairman, General Mills, Inc., Minneapolis, Minn.
 John F. Fennelly, Glore Forgan & Co., Chicago, Ill.
 Edward Littlejohn, Burroughs Corp., Detroit, Mich.
 John J. McCloy, chairman, the Chase National Bank, New York, N. Y.
 John A. McCone, president, Joshua Hendy Corp., San Marina, Calif.
 Charles H. Percy, vice chairman, president, Bell and Howell Co., Chicago, Ill.
 B. E. Richmond, general manager, Richmond-Chase Co., San Jose, Calif.
 Morris S. Rosenthal, New York, N. Y.
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 Russell G. Smith, executive vice president, Bank of America, San Francisco, Calif.
 Ralph I. Straus, vice chairman and treasurer, director, R. H. Macy & Co., Inc., New York, N. Y.
 Charles P. Taft, president, Headley, Sibbald and Taft, Cincinnati, Ohio
 Brayton Wilbur, president, Wilbur-Ellis Co., San Francisco, Calif.
 J. D. Zellerbach, president, Crown-Zellerbach Corp., San Francisco, Calif.

BOARD OF ADVISERS

Herbert F. Boettler, president, Bankers Association for Foreign Trade, St. Louis, Mo.
 Richard L. Bowditch, chairman of the board, C. H. Sprague & Son Co., Boston, Mass.
 E. Lamar Buckner, president, United States Junior Chamber of Commerce, Tulsa, Okla.
 Dean Meribeth Cameron, American Association of University Women, South Hadley, Mass.
 C. Emanuel Carlson, director, Baptist Joint Commission on Public Affairs, Washington, D. C.

Mrs. Theodore S. Chapman, president, General Federation of Women's Clubs, Washington, D. C.
 William L. Clayton, Houston, Tex.
 Howard S. Cullman, chairman, The Port of New York Authority, New York, N. Y.
 S. A. Dodge, president, Lions International, Detroit, Mich.
 Dain J. Domich, Sacramento, Calif.
 Mrs. Irving Engel, president, National Council of Jewish Women, Inc., New York, N. Y.
 W. J. Gilstrap, vice president and manager, foreign department, Wells Fargo Bank & Union Trust Co., San Francisco, Calif.
 Joseph C. Grew, Washington, D. C.
 Cordell Hull, Washington, D. C.
 Miss Helen G. Irwin, National Federation of Business and Professional Women's Clubs, Des Moines, Iowa
 Allan B. Kline, past president, American Farm Bureau Federation, Chicago, Ill.
 Murray D. Lincoln, president, Cooperative League of the United States, Columbus, Ohio
 Stuart F. Louchheim, Philadelphia, Pa.
 A. E. Lyon, executive secretary, Railway Labor Executives' Association, Washington, D. C.
 Mrs. Edith W. Macy, president, Y. W. C. A. National Board, New York, N. Y.
 Henry J. Mahady, Latrobe, Pa.
 George Meany, president, American Federation of Labor, Washington, D. C.
 Donald M. Miller, president, National Council of American Importers, New York, N. Y.
 Herschel D. Newsom, master, the National Grange, Washington, D. C.
 James G. Patton, president, National Farmers Union, Denver, Colo.
 Everett D. Reese, president, Park National Bank, Newark, Ohio
 Walter Reuther, president, Congress of Industrial Organizations, Washington, D. C.
 Wayne E. Richards, Arkansas City, Kansas
 H. Christian Sonne, chairman, National Planning Association, Washington, D. C.
 Michael Straight, American Veterans Committee, Washington, D. C.
 Walter White, secretary, National Association for the Advancement of Colored People, New York, N. Y.
 Rufus Wilson, national commander, AMVETS, Washington, D. C.
 Mrs. James Wyker, president, United Church Women, Columbia, Mo.

The Committee for a National Trade Policy is the spokesman for almost 1,000 individual and business supporters, actively working to advance a more liberal trade policy for the United States.

Just as the committee's board of advisers is broadly representative of this country's civic, military, commercial, labor, and farm organizations, so, too, do its directors and supporters represent a realistic cross section of the national interest.

Its personal supporters include leaders in every area of community, educational, and professional interest.

Its business supporters are drawn from such a broad sweep of this country's retailing, wholesaling, and manufacturing business that it can be truly said that they represent, with a few omissions, American business. In even the broadest of industry breakdowns—without consideration of specialized fields within a classification which might themselves be termed industries—business supporters of the committee cover more than 100 different American industries, whose trade interests are as varied as the products they make and sell and the markets they enter.

Even a casual glance at the partial list of industries represented by business supporters of the committee gives clear evidence that the weight of American business opinion is decidedly in favor of a more liberal trade policy.

A PARTIAL INDUSTRY CLASSIFICATION OF COMMITTEE SUPPORTERS

Advertising
 Agricultural equipment
 Air conditioning
 Aircraft manufacturing
 Airlines
 Architecture
 Attorneys

Automobile manufacturing
 Automotive parts
 Baking
 Banks
 Beverages
 Brewers
 Brokers

Broadcasting and recording	Leather
Building materials	Lumber
Cameras	Machine tools
Canning	Machinery:
Carbons and carbides	Light
Carpets	Heavy
Cement and concrete	Marine:
Certified public accountants	Insurance
Chemicals	Brokers
Clothing	Shipping
Coal	Matches
Confectionery	Meatpacking
Construction	Medical equipment
Containers:	Metals:
Metal	Ferrous
Paper	Nonferrous
Cordage	Mining
Cosmetics	Motion pictures
Cotton	Novelties
Dairy	Office:
Department stores	Equipment
Detergents and soap	Machines
Distillers	Oil
Drugs:	Optical
Retail	Paint
Wholesale	Paper
Dry goods chains	Pens
Earth-moving equipment	Pharmaceutical
Electrical appliances	Plastics
Electrical instruments	Plumbing
Electronics	Printing inks
Engineering:	Printing presses and type
Chemical	Public relations
Structural	Public utilities
Sanitary	Publishing:
Fertilizer	Books
Finance companies	Magazines
Flour milling	Newspapers
Furniture:	Radio and television manufacturing
Metal	Railroads
Wood	Railroad manufacturing
Glass	Rubber
Greeting cards	Salt
Grocery manufacturing	Specialty shops
Grocery wholesaling	Shipbuilding
Hand tools	Shipping
Hotels	Shoes
Import-export	Tobacco
Insurance	Valves
Investment banking	Vending machinery
Jewelry	Watches

Even with this breakdown, many of the committee's business supporters would still have to be listed as miscellaneous.

Senator MALONE. Now, Mr. Taft, you are aware that the 1934 Trade Agreements Act changed the long-established method of protection of domestic industries by a definite principle laid down in the tariff act of determining the duty on a basis of fair and reasonable competition, meaning the difference between the cost of production of an article here and the cost of a similar article in the competitor foreign nation, and recommending that difference as the duty. It was changed to a principle of including additional factors such as political and international factors, strengthening foreign nations' economies,

and in the meshing of the domestic economy of economic factors between agriculture and manufacture and mining.

That may be a little involved. If you think it is, I will restate it, but the change in principle is what I want to know if you understood and approved.

Mr. TAFT. Well, Senator, I think, as I listened to your question, that you described the standard previously accurately. As to your description of the principle involved in the present act, I do not think I would quite agree with it.

Senator MALONE. Will you describe it? Describe both of them to us. Maybe you can help me.

Mr. TAFT. No; I think that your description of the first one was entirely accurate.

Senator MALONE. You go ahead and describe both of them now and tell me what you think; if you think there has been a change in the principle and, if so, if you approve.

Mr. TAFT. There is no question about the change in the principle.

Senator MALONE. Then, will you describe both of them so we will have it together in the record?

Mr. TAFT. The old basis of the act was certainly an effort to equalize the cost of production at home and abroad.

Senator MALONE. And bring any product in on the basis of fair and reasonable competition, or at least give the American producer equal access to his own market?

Mr. TAFT. Well, I am not sure if I would add that, Senator. I would rather leave it as I stated it.

Senator MALONE. You stated it was to determine the difference between the cost of production and to equalize the cost so as not to give the American producer any advantage or the foreigner any advantage, but to equalize it?

Mr. TAFT. Yes; I said that was the principle upon which it was based prior to 1934.

Senator MALONE. Now, what was the principle established in 1934?

Mr. TAFT. Well, I think that the best way to indicate that is to take section 350 of the Tariff Act of 1930. Of course, the rest of the act stayed the same, in general.

This act set out to provide the President with authority to negotiate trade agreements in any case where, in his judgment, there was obstruction to trade, either in our duties or other restrictions, or in the duties or other restrictions imposed by foreign countries.

The implication is clear. In fact, everything in the committee reports and interpretations since would indicate that this requires reciprocal concessions. "Reciprocal" has been the name applied to the 1934 act, although it does not appear in the legislation itself.

The act has, since that time, been modified first by the peril point and later by the escape clause.

Senator MALONE. Why do you not just stay with the principle established in the 1934 act? Now, what was it?

Mr. TAFT. Well, I have just stated it, Senator.

Senator MALONE. No, I do not think you did. The reason why I do not think you did is you are calling the duties trade barriers and obstructions, you are allocating that name to this protection that was

supposed to end the competition between foreign and domestic producers. You called that an obstruction.

Mr. TAFT. I called it a restriction.

Senator MALONE. Is that what it calls it in the act?

Mr. TAFT. Yes, sir.

Senator MALONE. Where?

Mr. TAFT. I have it here. It is in section 350 (a) (1), in which it reads:

Whenever he finds, as a fact, that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States.

Senator MALONE. That is correct.

Now, the principle established is if, in the President's judgment, any tariff, regardless of whether it is merely an evener or whether it is too high or too low, if he judges that it restricts the foreign trade of the United States he can change it without regard to its correctness in the evening of the competition. Would you interpret it to mean that particular thing?

Mr. TAFT. That may have been the case in 1934. It was not administered in that way.

Senator MALONE. Well, I think it was.

Mr. TAFT. That is a matter of opinion.

Senator MALONE. Now, I did not ask you for your opinion yet. I asked you if you would describe, and I think you did, the difference in the change in the principle.

In other words, he may take into consideration a change that he thinks is necessary on any duty in his foreign trade agreements with any foreign government regardless of its correctness in evening the competition. He can change it whether it is correct in its evening of the competition of that particular product. You do not use industry in that regard; it is a product.

Mr. TAFT. You say he can now; I would say he cannot now.

Senator MALONE. Could he do it in 1934?

Mr. TAFT. Well, he perhaps could, but, as I say, the administration of the act was not on any such basis.

Senator MALONE. Well, I think it was, so that is simply a matter of opinion.

Now, let us move on and you tell us why he cannot do it at this time.

Mr. TAFT. Well, he cannot do it because of the peril point, in the first place.

Senator MALONE. Will you describe the peril point?

Mr. TAFT. The peril point, in general, is an instruction to the Tariff Commission to investigate the situation of those products which are listed for negotiation and to fix a point below which the President may not reduce the tariff. It is true that the President has the power, and I believe it has been exercised in one case, to override the Tariff Commission in that respect.

Senator MALONE. Now, Mr. Taft, it is not necessary to go beyond my question in each case because we will get to it.

As a matter of fact, he may disregard the peril point that the Tariff Commission fixes, may he not?

Mr. TAFT. Well, I think probably.

Senator MALONE. Where do you get this probably business? Why don't you read it and tell me?

Mr. TAFT. Senator, I am a lawyer, and I guess you are a lawyer also.

Senator MALONE. No, I am not a lawyer.

Mr. TAFT. Well, in the courts today, I do not care to predict what a court is going to do or what an administrative body is going to do under the interpretation of an act.

Senator MALONE. I am not asking you to predict anything.

Mr. TAFT. That is exactly what you are asking me to do.

Senator MALONE. I am asking you, and I shall stay with it for a certain length of time, to answer if he may not disregard, and has not disregarded, the peril point in making an agreement.

Mr. TAFT. I answered that once, Senator. He has, and he has then to report it to Congress.

Senator MALONE. We require that he report it to Congress when he does so disregard it, but he may disregard it?

Mr. TAFT. I have answered that twice; yes.

Senator MALONE. Well, you have answered it once without modifying it.

Mr. TAFT. Senator, I am not going to answer "Yes" or "No" to most of your questions without explaining.

Senator MALONE. How do you know what they are?

Mr. TAFT. Well, I know the questions you have been asking other witnesses.

Senator MALONE. That is good; you are going to get them.

Mr. TAFT. I do not doubt it. I am going to answer "Yes" or "No" first, and I am certainly going to explain most of my answers.

Senator MALONE. Well, if you want to modify this, I will ask you again if he may disregard any tariff that is fixed by the Tariff Commission as a peril point.

Mr. TAFT. For the third time, "Yes."

Senator MALONE. That is the second time without modification.

What branch of the Government is delegated to regulate the duties, imposts, and excises that we refer to as tariffs and regulate what we know as foreign trade?

Mr. TAFT. The Congress of the United States.

Senator MALONE. Now, you believe in the gradual reduction of the duties or the tariffs that were referred to as eveners or as a method of establishing fair and reasonable competition between the United States and the foreign nations?

You do believe in a gradual reduction of these duties, I gathered from your statement?

Mr. TAFT. In a selective way; yes; certainly, sir.

Senator MALONE. Well, a selective way would mean that you would just select products that in the President's judgment, or the judgment of the Secretary of State, or whoever is doing the work, should be gradually reduced without regard to that evener on the basis of fair and reasonable competition that could be established if that were still the principle?

Mr. TAFT. Well, without regard to the general idea as it existed prior to 1934; yes. But, in my judgment, the reductions have been made on the basis of increasing trade on a fair basis to production both in the United States and abroad.

Senator MALONE. But it may change the character of the production in the United States, may it not, under that explanation?

Mr. TAFT. It may. I think it very seldom has. I do not remember any cases, but it may have.

Senator MALONE. I am a good deal like the Senator from Oklahoma. We have considerable evidence and, of course, we are glad to have your views. But you do say that it can rearrange the industrial map of the country?

Mr. TAFT. No, sir, I do not.

Senator MALONE. Well, you say that it can increase the trade on one product and decrease it on another.

Mr. TAFT. No; I did not say that.

Senator MALONE. Well, could it?

Mr. TAFT. It could, yes; but, in general, domestic influences have been far more influential in changing that pattern, rather than any effect that imports have had.

Senator MALONE. Did you ever hear of any industry objecting to domestic competition, except in private conversation?

Did you ever hear it before a committee like this?

Mr. TAFT. I should say so. The same textile people that have testified here on the tariff have certainly shouted very loudly about the industry moving south and about southern wages.

Senator MALONE. They shouted but they did not complain to the committee. They simply enumerated the things that had taken place, but I heard no one object here to fixing duties; I heard no one advocate any duties or anything that would even up the domestic trade.

Mr. TAFT. Because that is forbidden by the Constitution of the United States.

Senator MALONE. Well, there are several things that we think are forbidden by the Constitution of the United States and probably have to be tried out, and, of course, duties between States are forbidden, but these people, in the main, were complaining about appropriations and various other acts of Congress in some other manner, freight rates or something else.

I remember the conservation, and the testimony will be a matter of record, that it favored one area over another, and they did not like that. But in this particular act they were not objecting on the basis of domestic competition, were they?

Mr. TAFT. Certainly not.

Senator MALONE. And they were objecting to the act on a basis of what they considered a harm done to their industry through the change in the principle of determining that difference in the cost of production of this Nation and the chief competitive nation on the principles outlined in the 1934 act; and they did not contend that the President did not have the authority to do it, but they were objecting to the act because he did have the authority to do it. Was that what they were objecting to?

Mr. TAFT. I think that is correct; yes.

In fact, some of them proposed an amendment that would take at least a part of that authority from the President.

Senator MALONE. That is right; and the oil people were one. I agree with you. I do not agree on the quotas to this extent. I do not agree that we should pick out one industry or one product and protect

it with a quota and leave the rest to the wolves. I do agree, however, with a considerable number of persons that the quota system, in some cases, has to be invoked. But if it were going to be invoked, I would be in favor of a quota system being considered by the Tariff Commission in relation to all articles under the same conditions, not just pick one out and protect it, particularly with a law or an amendment, and leaving all the rest of them running loose.

Mr. TAFT. Well, Senator, the difficulty with this is the difficulty that comes up in the practice of law. If a court or an administrative body tries to expand its decisions beyond the matters that have been presented to it, it is going to get itself in trouble as it may when it gets to the Supreme Court. Therefore, I am afraid I could not agree with your suggestion that it ought to be applied to what are thought to be similar items, if those have not been litigated, if those have not been presented.

Senator MALONE. I did not ask you to agree with it, I merely said that I do agree with you that you should not pick out one particular one, at least, and you did disagree with the quota on oil.

Mr. TAFT. That is right.

Senator MALONE. I think if you are going to give a quota to the Tariff Commission, you are going to have to give it to them on a basis of fair and reasonable competition.

The Congress has considered at least one article that is well known, like sugar, where they have tariffs and quotas and various other considerations. Are you familiar with that?

Mr. TAFT. Yes, sir.

Senator MALONE. So you would not say it would be illegal if the Congress did give the Tariff Commission the authority to consider it?

Mr. TAFT. Certainly not. I answered Senator Millikin that the Congress could do many of the things that have been asked by witnesses here.

Senator MALONE. Now, then, did I understand in your answers to Senator Millikin and I believe Senator Kerr, that you did not think there had been any jobs lost in the textile industry or anyplace else?

Mr. TAFT. I said due to imports, Senator.

Senator MALONE. That is right.

Mr. TAFT. I did not make it universal because I did say that there were certainly some jobs lost in coal due to residual fuel.

Senator MALONE. Well, would you say that there are some jobs lost through the importation of textiles of certain types?

Mr. TAFT. That may be, I don't know. But in the case of textiles, you have had, in the last 12 months, an increase in productivity. There was information on this in Mr. Livingston's column the other day in the Washington Post and Times Herald, which you may have seen. There was an increase of about 13 percent in the production of the textile industry, while there was a 3-percent loss in employment. So that part of the unemployment now is clearly due to increased technology, and I can go into details on that.

Senator MALONE. I do not want the details, unless you want to do so. When you finish, I will ask you another question.

Mr. TAFT. There are a few marginal areas where imports in the textile business perhaps have led to loss of business and of domestic production. Velvetens happens to be one of them. That was be-

cause both the British and the Japs devised a scheme for waterproofing the velveteen and bringing it in under the waterproof-cloth category, so that for 1953 and 1954 there was an undue bulge in the imports of velveteen, and I do not doubt that it had some effect on the domestic velveteen industry; not much but some. This was corrected by the Bureau of Customs in January and these velveteens will have to come under the velveteen category of the tariff act and pay a higher duty than it did as waterproof cloth.

Now, I give you that simply as a sample of one small piece of the textile industry where there may have been that kind of an influence.

Senator MALONE. We are glad to have anything you want to say for the record, Mr. Taft.

Now, I come back to the question. You have many times here today outlined as proof that no harm has been done to any industry the fact that their business has increased along with the increase in imports, so I take it from your testimony that you believe that any adjustment of the tariff or the duty, as the Constitution calls it, that would still protect domestic industry against goods that could be imported cheaper, of a similar nature or the same goods, would be against the national interest because the foreign nations should be entitled to a part of our increased business in the United States?

Mr. TAFT. Yes. I see no reason why an American industry should have a monopoly of the American market. I have said that a good many times.

Senator MALONE. I think I understand your theory correctly, and all we are trying to do is make a record, and that answer is a great improvement.

Now, taking on that theory, do you believe that we should, from now on or from the time the 1934 Trade Agreements Act was passed to provide the increase in the American market and that they are entitled to their part of that market, entitled to compete by having the duties set below that differential of the cost of production that would even the cost of foreign imports with the cost of the same domestic article?

Mr. TAFT. I would have to say that I do not believe that the standard you suggest can be administered, because in most cases you cannot find out the cost of production abroad.

Senator MALONE. That is not an answer to my question. Will you answer it first?

Mr. TAFT. That is the first comment on it.

Senator MALONE. Answer it first. I do not care about the comment, but if you want it in the record it is all right with me; but I want you to answer that question.

Mr. TAFT. I think you will have to go back and give it to me.

Senator MALONE. Yes; I think I would. I do not think you paid any attention to it.

Mr. TAFT. I was listening just as hard as I could.

Senator MALONE. Listen again.

Mr. TAFT. I will try.

Senator MALONE. Do you believe that the duty should be gradually reduced, even below that differential of cost of production that would even the cost of foreign imports with the American production, to

give the foreign producer, wherever he may be located, a part of the growth of the American market?

Mr. TAFT. I believe in that, but not in the reduction of the duty in the way you describe it, not for the reason you give.

Senator MALONE. What reason would you ascribe to it?

Mr. TAFT. The reason I would ascribe to it is that we are part of a competitive system, and that I believe that foreign competition is just as healthy as domestic competition, and that the proper effect, and the effect in the overwhelming majority of cases, is to improve the productivity and reduce the costs of the American producer.

Senator MALONE. Well, do you believe that by following that principle a foreign producer is definitely given a part of the increase in the American market?

Mr. TAFT. He is only given it if he can earn it. That was why I objected to the reason that you gave.

Senator MALONE. Well, let me clarify the record in that regard.

If you go back to the principle of fair and reasonable competition, and that is the only criterion in the 1930 Tariff Act, on a flexible basis; if, assuming that a duty was correct and the chief competitive nation raised its living standards, then they are entitled to, and in effect we are directed to reconsider that particular duty and fix it so it does then, at the moment, correctly depict that differential of the cost of production, so that the principle is fair and reasonable competition.

Now, we both agree that that is what the 1930 act contemplates. I guess we agree on that, do we not?

Mr. TAFT. As the fact, yes.

Senator MALONE. Now, without regard for the moment as to whether they can find out what the foreign cost is, my question to you was, and still is: Do you believe that, in order to give the foreign nations a part of our increased production—our increased consumption of that same article—if it is necessary to lower the duty below that fair and reasonable competitive point, that would be justified?

Mr. TAFT. Well, my answer to that would be no, because I do not agree at all that the purpose of it is to give the foreigner a larger portion of the market.

Senator MALONE. Suppose it results in that effect? You are still in favor?

Mr. TAFT. I see no objection to it; no.

Senator MALONE. All right; I think that is very clear. And I would like to correct you on one thing. If you were talking about Republican doctrine or Republican policy, if it is of interest to you I would furnish you a copy of it. I documented the Republican platforms for 75 years and they always had that principle of protection, to even the cost of production between the foreign competitor and the domestic producer. If there is any question about it at all, I will send it to you. It was a Republican doctrine and there never has been a Republican President that advocated anything else until the last 2 years.

Do you agree with that?

Mr. TAFT. I agree with part of it, and not with the rest of it, Senator.

Senator MALONE. Well, go ahead and explain it.

Mr. TAFT. To begin with, I would not suggest anything about the tariff policy of the Republican Party. I was talking about the free enterprise philosophy of the Republican Party.

Senator MALONE. You are talking about the policy of the Republican Party.

Mr. TAFT. I was talking about the policies of the Democratic and Republican Parties in support of the free-enterprise system.

Senator MALONE. Well, we are still for it.

Mr. TAFT. Yes, that is right; and I was saying that to Senator Kerr.

Now, the other thing which I do not quite agree with is your account of the past history. There has been certainly since 1890 a portion of leading Republican authority which has been in favor of a moderate tariff policy. I will be glad to document that information.

Senator MALONE. Yes. Why do you not give me what your idea of a moderate tariff policy is?

Mr. TAFT. Well, do you want me to document my statement?

Senator MALONE. I want you to give me your idea of a moderate tariff policy.

Mr. TAFT. A moderate tariff policy, I would say, is the way in which the Reciprocal Trade Agreements Act, on the whole, has been administered since 1934.

Senator MALONE. And without regard to that differential in the cost of production, but for the benefit of the over-all economy of the United States and the international relations?

Mr. TAFT. I would not say that it was without regard to the cost of production because I think in many cases it may have come closer to the cost of production differential than could have been arrived at by any sort of investigation in advance.

Senator MALONE. But you will admit, I suppose, that there have been cases of reduction of the duty below that differential of cost?

Mr. TAFT. A few.

Senator MALONE. Well, then, you are for the principle?

Mr. TAFT. For what principle?

Senator MALONE. For the principle of using a duty or a tariff below that differential of the cost of production, below that fair and reasonable competitive basis, if it strengthens the overall economy of the United States in the opinion of the President or assists in international relations.

Mr. TAFT. Yes, except that I am not willing to agree that it necessarily does put it below the cost of production. In most cases I would think it has not.

Senator MALONE. Your statement is a matter of record. I only asked you if you favor that principle.

Mr. TAFT. Well, Senator, I cannot favor a principle if you put into it, when you state it to me, something that I do not agree with.

Senator MALONE. Well, let us see if we can get at it another way.

You do admit that there are cases where the President has lowered it below that differential, or lifted it above that differential of cost on the basis of fair and reasonable competition for purposes that he thought were for greater benefit of the United States for domestic economy or for international relations?

Mr. TAFT. No, I see no basis for saying so. I know of no case where there was any evidence that the duty was set below the difference in the cost of production.

Senator MALONE. Well, the Tariff Commission is the best evidence we have and there are 8 or 10 cases where the Tariff Commission reported that there should be a raise in the duty or tariff to equal that differential, and he would not change it.

Mr. TAFT. But those are very small cases, Senator, if you take the amount of employment that is involved or the importance that they are in the total economy. They are certainly minor.

Senator MALONE. It does not make any difference in their economy?

Mr. TAFT. They represent a very small portion of numbers of witnesses that have appeared before you.

Senator MALONE. Now, Mr. Taft, I am fully aware of the way you debate—I think we debated once before—but you are going to answer this question if you stay here until midnight.

Mr. TAFT. Senator, I am going to answer any question; but I am going to answer it differently if you put assumptions in. You have done that in almost every question you have put to me.

Senator MALONE. We will let the record stand. The question I am asking you now, do you agree with an act that allows a president to set the duty or the tariff, or to leave the duty or the tariff at a point below that competitive point on a basis of fair and reasonable competition, for any purpose he may prescribe that is within the act, either for the good of the overall American economy or for international purposes?

Mr. TAFT. Is that the end of the question?

Senator MALONE. Did you understand it?

Mr. TAFT. Yes, sir; and the answer is "Yes."

Senator MALONE. You agree that that should be done in his judgment?

Mr. TAFT. Yes, sir, although I believe that it has been done very seldom.

Senator MALONE. Well, we will get to that a little later, if you do not mind.

You do agree that he should do it if, in his judgment, it is to the overall benefit of the United States of America?

Mr. TAFT. For the second time; "Yes."

Senator MALONE. That will be enough, unless you make another speech and then we will come back to it.

Now, I do not think it is necessary, it should not be at least, to name the industries that are obviously hurt and I, myself, could not comment favorably, although I would not mean to comment on your statement at all. It is your statement and you are the one that is the author of it when you said it is a sense of outrage that the lies that these men in working industries are telling here; that they are not really injured. And I would only just mention here, for the benefit of the record, the glass industry and the crockery industry and the minerals and the textiles and the petroleum and other industries. While there may even be members of this committee that would disagree with what the cure would be, they do not disagree, I think I can tell you, that these industries have been injured.

Now, you are familiar no doubt with the operation of the Geneva General Agreement on Tariffs and Trade, how they operate? Are you more or less familiar with that?

Mr. TAFT. Yes, sir; in a general way.

Senator MALONE. Now, were they organized with the 1934 Trade Agreements Act as a basis for them to operate upon?

In other words, would there have been any basis for such an organization except for this act?

Mr. TAFT. It is an agreement, not an organization, Senator, and it is based upon that act.

Senator MALONE. In other words, if we did not extend this act, that would be the end of the operation of General Agreement on Tariffs and Trade for further operations?

Mr. TAFT. I am not sure of that, Senator. Do you mean, with respect to modifications in the agreement?

Senator MALONE. Well, for further operations.

Mr. TAFT. Yes. And I think the agreement itself does not have a termination provision in it, if I am not mistaken. I am not sure.

Senator MALONE. Well, I am not too familiar with their agreements, which are not really trade agreements, but in any case they are agreements to lower tariffs. I think you will agree with that interpretation, but we have come to call them trade agreements, just as you have come to call it reciprocal trade, with nothing in the act or the title to justify it.

Mr. TAFT. Well, there is something in the act to justify it, but they do not use the word "reciprocal," Senator.

Senator MALONE. No; it is not used. I am glad to say that Congress never used that in the act, but the London bankers did invent the term at the time, just as Mr. Butler, Chancellor of the Exchequer, invented the phrase "Trade, not aid," and they give us these phrases to mouth and live by, and they do a pretty fair job.

Now, what I will ask you, then, without regard to the length of the trade agreements, because trade agreements made by the President generally speaking have a 3-year termination that is; a 3-year life, and then continue until such time as he may communicate with the nation with which trade agreements were made for cancellation; is that true?

Mr. TAFT. I believe so.

Senator MALONE. Now, I suppose that these agreements follow in the same line, but in this case, regardless of their termination date, if they do or do not have any termination date, the General Agreement on Tariffs and Trade organization at Geneva could not make any new ones if we did not extend this act?

Mr. TAFT. That is correct.

Senator MILLIKIN. Senator, would you let me interrupt you for a minute on a different matter?

Senator MALONE. Yes.

Senator MILLIKIN. Mr. Taft, I am told that you stated that both Dow and Monsanto have increased their exports over 25 percent over the entire year.

I am asked to ask you, could you explain to the committee about the figures on which this percentage was based?

Mr. TAFT. I got that from the value-line survey of February 4, 1955.

Senator MALONE. What is the value-line survey?

Mr. TAFT. It is a periodical magazine survey by one of the organizations engaged in investment and stock-market analysis.

Senator MALONE. Now, back to the original subject.

There are various other organizations springing up in various areas calling themselves trade organizations or the like, such as one set up by an Assembly of the United Nations resolution. The resolution was passed 2, 3, or 4 months ago, without our vote I am glad to inform you, because we had previously had a member, an Assistant Secretary of State, who was in charge of that matter, before another committee; not because of it, I will not say that, but he had said he would not be in favor of it.

We knew it was coming up. This organization is supposed to increase its membership. It has 30 or 40 members now. At least they have indicated they will join it. I am not sure about the number, but a substantial number, and it also is to deal in foreign trade.

Mr. TAFT. Senator, I am sorry, I did not get your start there. I did not get which organization you mean.

Senator MALONE. A United Nations resolution in the Assembly created another worldwide organization.

Mr. TAFT. Now which is it? I did not see the item.

Senator MALONE. It is simply a resolution that created this organization, and there were a certain number of foreign nations that entered into it, and we attended the meeting. I understand a delegate from the State Department attended, but did not vote for it.

However, there is a difference of opinion as to whether we are bound in any case. But, if we do not extend this act, our markets would not be in that pot, and, therefore, if they continued the organization, and we did not continue this act, there would be no question our markets would not be included in the division, would they?

Mr. TAFT. Well, Senator, I do not know what organization you are talking about. You have not named it. You have not even indicated what it is about.

Senator MALONE. I told you three times that it was created by an Assembly resolution. The Assembly is a part of the United Nations.

Mr. TAFT. I understand, but that still does not tell me what the organization is.

Senator MALONE. I did not name it. I do not think they named it. They simply passed a resolution creating an organization that would deal internationally with foreign trade.

In other words, they could divide this deal in tariffs or other matters and have an influence in the division of trade in the world. But they created that organization.

The reason for my question is to ask you, if we do not continue this act, would there be any question that our markets would not be involved in this.

Mr. TAFT. Well, Senator, our markets are not involved whether we continue the Trade Agreements Act or not. The Trade Agreements Act authorizes the General Agreement on Tariffs and Trade, it certainly does not authorize some insubstantial kind of organization that has been recommended by the Assembly of the United Nations, with us voting against it.

Senator MALONE. I think there are a lot of people going to be interested in your argument that the passage of this bill authorizes the General Agreement on Tariffs and Trade, because there are many people who say it actually does not; that it will be presented to Congress later.

My own idea is just like yours, that it actually does, and we will never see the General Agreement of Tariffs and Trade come before this Congress if we pass this bill in its present form.

Mr. TAFT. I do not think I said that. I was talking about your United Nations Assembly resolution. I was saying that the passage of this act has nothing to do with our being a member or having anything to do with it.

I still do not know what your organization would do, but the Reciprocal Trade Agreements Act does not authorize us to go into that organization.

Senator MALONE. Now, back up, Mr. Reporter, if you will just hold it a minute, and read the answer to my question on the General Agreement on Tariffs and Trade and the organization created by the Assembly resolution. Read Mr. Taft's answer to it. It is quite a way back now.

Mr. TAFT. Senator, this may save you the trouble——

Senator MALONE. I know what you said. I am going to have him read it.

(Mr. Taft's answer read back by the reporter.)

Mr. TAFT. Certainly I said that, but I deny that the passage of this act has anything to do with the resolution of the Assembly of the United Nations.

Senator MALONE. Well, I did not say you did; I said that you said just what he read; and that was if we passed this act, it authorizes a General Agreement on Tariffs and Trade, and I agree with you; I do not think it ever has to go before Congress again.

Let us go on to the next question.

I may say that I think it is authorized by the present act, so far as that is concerned.

Now, the International Trade Organization, created by our State Department, along with other nations, was submitted to this Congress 3 or 4 years ago, and it was rejected.

That is to say, it was submitted to the House, and the Foreign Relations Committee of the House, I understand, rejected it.

Mr. TAFT. At least it did not recommend it, Senator.

Senator MILLIKIN. Senator, I think that was the Senate Foreign Relations Committee, but nothing ever happened.

Senator MALONE. Was it before the Foreign Relations Committee of the House, also?

Senator MILLIKIN. I think that is true, but I got the impression that you were limiting it. I think it languished in the Senate Foreign Relations.

Senator MALONE. I am glad you corrected the record, Senator, because that even makes it more convincing, that both the Senate and the House, their regularly appointed Foreign Relations Committees, rejected it.

Now, after that rejection the State Department created what was to become known as the International Materials Conference, which went ahead to accomplish what the International Trade Organization had been designed to accomplish, which had been rejected by Congress and later was financed by the State Department and carried on a certain time.

If we do not extend this act, then it would be impossible for the State Department or anyone else to create an organization like the

International Conference or International Trade Organization and be effective in relation to our markets; would it not?

Mr. TAFT. No, sir; I think that the creation of certain kinds of international conference committees is clearly within the purview of the President's authority.

For instance, in 1943, when I went into the State Department, the rubber cartel was just expiring. The United States then, and since that time, with perhaps one exception, has refused to go into any international commodity agreements, especially those which contemplate any kind of a buffer stock operation, even comparable to our own Commodity Credit Corporation, and we refused to go into a new rubber cartel but insisted on having a study committee only made up of American, British, Dutch, and others interested in the production of rubber, which has collected statistics very useful to the rubber producers and users in the United States; and without getting us into any kind of commitments to do anything.

I do not happen to be familiar with the International Materials Conference to which you referred, but I assume from the way you have described it, that this conference is doing the same thing and is not in any way committing us either to stockpiling operations or to any control of what we in the United States may thereafter decide to do.

Senator MALONE. The International Materials Conference was committing us. That is to say, they were carrying on the negotiations, cooperating with the General Agreement on Tariffs and Trade. Along the same lines, and, without going into it, I will refer you to a report, report No. 1627 of the Senate of the last year, 1953, and it describes it in very great detail.

But, what I will ask you now, since you have brought up the possibility of the Secretary of State or the President entering into foreign organizations, if this act expires there can be no further control by the President or the Secretary of State through any organization that may affect the duties or the tariffs that may be set by the Congress of the United States, or by the Tariff Commission, as its agent, to which this matter reverts if this is not extended?

Mr. TAFT. I think that is correct, except insofar as those agreements may continue thereafter of their own authority, and they cannot then thereafter be modified.

Senator MALONE. That, of course, we settled a while ago; that the President of the United States may, in his discretion, set notice.

Mr. TAFT. That is correct.

Senator MALONE. So then if we do not extend this act we are free in the future from all such organizations separated entirely from Congress, or in which Congress has nothing to do with the setting up of those organizations?

Mr. TAFT. Unless there were other authority given, Senator, as, for instance, in the case of the International Wheat Agreement.

Senator MALONE. But that case I included in my question, except where Congress authorizes it. Congress would be the judge, just as it was prior to the 1934 Trade Agreements Act.

Mr. TAFT. This is a question of delegation of authority such as is given in the Trade Agreements Act and as might be given by other acts of Congress.

Senator MALONE. That is true. I am very interested in your answer that you think the original act authorized the General Agreement on Tariffs and Trade.

Mr. TAFT. I said the act as in force today, Senator; I did not say the original act.

Senator MALONE. Well, I stand corrected.

You see, Mr. Taft, I am not trying to argue with you. I am trying to get into the record what you believe and we can save time if you would understand that.

Now, do you know what activities the General Agreement on Tariffs and Trade at Geneva have been engaged in the last few months? Have they been engaged in organizational activities and in arriving at certain multilateral and other trade agreements with other nations in anticipation of the extension of the act?

Mr. TAFT. They have been engaged, Senator, in the renegotiation of some of the general principles laid down in the General Agreements on Tariffs and Trade and in the new negotiation of an organization section of the General Agreement on Tariffs and Trade.

As I understand it, and I only know this from the newspapers, they have not been engaged up to now in the negotiation of individual duties. Notice was given for that in November and those negotiations, having to do particularly with Japan, are supposed to begin in the near future.

Senator MALONE. Yes; but have not yet been authorized?

Mr. TAFT. No. They have been authorized, Senator, but they have not yet taken place.

Senator MALONE. That is, these trades with Japan?

Mr. TAFT. That is right. They were authorized by the renewal of the Trade Agreements Act of last year.

Senator MALONE. But if this act is not renewed, then no negotiations can be conducted in the future with new agreements that would include Japan?

Mr. TAFT. Or anybody else; that is right, sir.

Senator MALONE. Now, in the Washington Post on Thursday, March 17, there was an announcement of a new world trade agency, but upon reading it, it seems that it is a sort of a reorganization of the General Agreement on Tariffs and Trade. Isn't that about right?

Mr. TAFT. Yes. There was also involved a modification of the general principles too, at least in one respect where it was contrary to an act of the United States. This had to do with the section 22 of the Agricultural Adjustment Act. That now has been modified so that it is no longer in conflict with that act.

The other job has been to set up some sort of organizational provision so that there is an authorized secretariat for the agreement, and that, in whatever form it comes, is the second part of this negotiation which is to be submitted to Congress.

Senator MALONE. Yes. I think there is a plan in this act, in H. R. 1, that sets forth that the organizational part of the General Agreement on Tariffs and Trade organization at Geneva will be submitted to the Congress, but not the trades that they may make.

In other words, nothing on tariffs themselves to come before the Congress.

Mr. TAFT. That is correct.

Senator MALONE. But they would be authorized, then, in an organizational way, to do that work themselves? That is correct?

Mr. TAFT. Yes.

Senator MALONE. Now this dispatch says, in part:

The plan for such an organization was developed during 4 months of negotiations in Geneva on the overall problem of strengthening the General Agreement on Tariffs and Trade. This is the free world's basic reciprocal trade agreement, in which the United States and 33 other nations participate.

You are familiar with the work they have been doing?

Mr. TAFT. Yes, sir.

Senator MALONE (reading):

Details of the proposed OTC—

that would be the Organization for Trade Cooperation. Now is that the new name for the General Agreement on Tariffs and Trade?

Mr. TAFT. I read this article, too, Senator. I know as much as you do, no more.

Senator MALONE. Well, I thought I might get a little enlightenment because you have been very liberal with your explanations up to now.

Details of the proposed OTC—

Organization for Trade Cooperation—

are to be announced officially on Monday. It is a direct outgrowth of the program drafted by a special commission headed by Clarence B. Randall, chairman of the board of Inland Steel, and is one that became a key section of the President's foreign economic program.

You are familiar with Mr. Randall's work?

Mr. TAFT. Yes, sir.

Senator MALONE. And he has been the spearhead of this work as far as the United States is concerned in the General Agreement on Tariffs and Trade, this 4 months' work?

Mr. TAFT. I would not put it quite that way, Senator, because he was not a delegate. They are referring to his commission which made its report to the President a year ago at the end of January, and which recommended what was done. But he was not a member of the delegation although I think perhaps there were several who went to Geneva who had been members of the Randal Commission. But I wouldn't put it quite as you did.

I think his suggestion undoubtedly had something to do with what they have gone ahead with, but he has actually not been the spearhead at Geneva.

Senator MALONE. Here is a very interesting item. It says:

One such victory—

of the organization, I presume—

is that the proposed Organization for Trade Cooperation would make possible closer supervision of such trade restrictions.

Up to now the business of the GATT—

General Agreement on Tariffs and Trade—

nations was handled mainly in periodic meetings. The new OTC would give these nations their first year-round organization.

You understand their intention is, then, to meet continually and continually readjust?

Mr. TAFT. No, sir; I think not. The meetings to readjust would certainly not come too often because they take too long and take up too much time and effort. This does mean that the secretariat will have an official status in an office all year long to which any queries or complaints may be sent, but it does not mean that they will be negotiating all year long.

Senator MALONE. All I know is what it says. It means that the new OTC, Organization for Trade Cooperation, would give these nations their first year-around organization.

Now, we covered this next question to a certain extent. Do you understand the general principle laid down by Congress through its agent, the Tariff Commission, and which was its agent up until the time this act took effect—it is still its agent but it is more or less of an errand boy now—that the principle laid down by Congress to be adhered to by the Tariff Commission: leveling of the competition, equalizing the competition, was for the purpose of developing this whole country. That is to say, if domestic economic factors were found more favorable in one part of the country than another to the development of any product, a company or individual could proceed on that principle and know that it only had to compete actually with domestic producers on a basis of paying practically the same wages.

Sometimes the wages are a little different in some parts of the country but at least any competing country would have to pay approximately the same costs of doing business as they did and they would not need to worry particularly about foreign competition in stifling their production.

Do you understand that that is generally the purpose of the principle on a tariff or duty?

Mr. TAFT. You mean prior to the Reciprocal Trade Agreements Act?

Senator MALONE. Prior to the 1934 Trade Agreements Act. I have not adopted the London bankers' prefix to it yet.

Mr. TAFT. That may be an interpretation. I never happen to have heard it before. It sounds as if it might have been.

Senator MALONE. Well, in any case whether they meant it that way or not, it resulted in about that kind of competition.

In other words, it was pointed out here, and we have heard it over the last 15 or 20 years, that some industries have moved from one locality to another because they temporarily found cheaper wages and a lower cost of doing business. So that carried out the theory that whenever you found the feasibility factors that added up to a feasible industry any place in the United States, protection was equal. There was no discrimination and you just took the best place in the United States to do it and didn't worry about cheaper foreign imports because the principle had been laid down that the Tariff Commission would take care of that part of it. It was a plan of fair and reasonable competition throughout the United States on an even and competitive basis within the country.

Is that the way you understood it to be?

Mr. TAFT. That was the theory, Senator.

Senator MALONE. Now, the theory of the 1934 Trade Agreements Act was that other factors could be considered, so that as we reviewed the ones that were here before in another connection, there might be,

in certain cases, subject to the judgment of the President of the United States, under the 1934 act, a lowering of that duty below that competitive point—that fair and reasonable competitive point.

Therefore, these industries could no longer depend upon the principle of being protected from foreign competition.

Mr. TAFT. If you mean the act removed from them some of the kind of assurance they had before with the 1930 and 1922 acts, that certainly is true; yes.

Senator MALONE. That is right.

Now, you have mentioned 2 or 3 times yourself that the peril point and the escape clause were injected later, and you are familiar with those 2 amendments to the act?

Mr. TAFT. Yes, sir; in general.

Senator MALONE. You are familiar with the fact that—and we discussed the peril point once before, but not the escape clause—that in either case, when the Tariff Commission is requested to make a finding, that the President can either adopt or reject the Tariff Commission's finding, if that, in his judgment, is justified?

Mr. TAFT. That is correct. That I answered before.

Senator MALONE. Now, in any case, an industry, any industry, as long as this act is in force, if we extend the act any industry is subject, at any time, to a trade agreement that might further lower the duty, unless protection in that particular product follows?

Mr. TAFT. The answer is "Yes," subject, of course, to the notice given in the procedures that are set up in connection with the act and its administration.

Senator MALONE. But the President's judgment is final?

Mr. TAFT. Yes, that is correct.

Senator MALONE. Now, any industry in the United States, under those conditions, has this possibility, however it may be described, hanging over its head; that is to say, that they know that at any time the President or the State Department should decide to do this thing, that they can be subject to this increased competition.

Mr. TAFT. That is correct.

Senator MALONE. And to get away from that, even in the escape clause, to escape from it, providing they do escape, and they take that chance in a very small percentage, but assume that they could escape, they have to show serious injury in order to be considered for escape from that trade agreement.

Mr. TAFT. Or threat of serious injury, both are set up in the escape clause.

Senator MALONE. Yes.

Now, you have been an attorney for many years, and you have been an attorney for many fine corporations. Do you believe that a business, any business, in the United States, subject first to a threat of lower protection that could, under the act, injure it, and that to escape from it, assuming that they could escape from it, they have to wait until they can prove that there is a threat of serious injury or actual serious injury; do you think a business enterprise of that kind as a rule can keep the confidence of the banking institutions and potential investors in that business?

Mr. TAFT. Yes, sir; the experience is that they can, and that the threat of domestic competition is far more serious than any such threat from imports.

Senator MALONE. Now, Mr. Taft, that is a voluntary remark and I am glad, if you want it in the record, you can put it in the record, but I must come back to the fact that, as the senior Senator from Colorado and the distinguished Senator from Oklahoma said, the record here shows differently, and I am going further to take exception to the remark you made that this committee does not call experts.

As a matter of fact, we have experts employed on this committee and, as a matter of fact, I would call expert engineers and economists that have been retained over many years to advise industries, and they appear here, and I am sorry that you believe what you do, that we do not call experts.

Mr. TAFT. Well, Senator, I was not referring to the staff. I know something about the staff of the committees and I certainly favor the addition to the staff of the committees of as sound and competent experts as they can get. But what I am saying is that I was informed, in connection with asking people to appear here to testify, that it had to be someone who asked to appear for his business and those who simply wanted to appear to give expert testimony would not be entertained.

Senator MALONE. Are you aware of the fact that any member of this committee, Senator Millikin, Senator Kerr, or any Senator on this committee, or any Senator on the Senate floor, if he requested Harry Byrd to allow an expert to testify, I am sure it would be favorably received. It has been in the past, and we do do that.

I have just written him a letter about it, and I think you will find a few witnesses here next week sometime.

So you think maybe you ought to modify that a little bit, do you?

Mr. TAFT. Well, I am very glad to modify it to conform to the facts, Senator. I am only telling you what I was told when I discussed the question about what witnesses appeared before the committee.

Senator MALONE. Well, you just lumped all committees, did you not?

Mr. TAFT. No, sir; I was talking about the Finance Committee of the Senate, and I made specific inquiries here.

Senator MALONE. Well, I will disabuse your mind on that.

Mr. TAFT. Evidently I was erroneously informed.

Senator MALONE. I think you were.

Mr. TAFT. Or I may have misunderstood.

Senator MALONE. And I will say to you, too, that there are committees here that deal only with experts when it is a technical subject. Of course, they will hear others, if they insist on being heard.

Mr. Taft, you are, of course, familiar with the act, that it does say that in making these decisions, the President may consider the meshing of these economic domestic factors in regard to the agriculture and mining and manufacturing industries, and, on that basis, may lower a duty in the same manner as he may consider some international problem?

Mr. TAFT. I am not sure it lays it down quite that specifically, Senator, but I think he does exercise that authority.

Senator MALONE. Well, that is good enough. I will tell you that it is mentioned in the act.

Now, talking about exports, you are aware, of course, that most of the agricultural exports are carried on on a basis of the taxpayers

making up the difference between the world price and the support price here in the products that are exported?

Mr. TAFT. That is true of many of them.

Senator MALONE. In other words, you would not call it a very profitable situation. It is simply a question of getting rid of the agricultural products that the Government acquires by virtue of the protection afforded that industry?

Mr. TAFT. And of supplying very much needed foods in certain areas of the world, Senator. That certainly is in the minds of the farmers, I know. I have talked to many of them.

Senator MALONE. So that is still an opinion. All I am asking you, is that true, that the taxpayers make up the difference and that is the way we count this international trade?

Mr. TAFT. Yes; for the second time.

Senator MALONE. Well, if you want to make a speech, I will ask it again. I merely want it in the record so it is clear.

Senator MILLIKIN. Why not say it for the third time?

Mr. TAFT. Yes; for the third time.

Senator MALONE. Well, you can make it for the fourth time.

Senator MILLIKIN. I say stop at the third time.

Senator MALONE. I am sorry we have to have these conversations.

Now, you are familiar, of course, with all of these trade agreement acts, so-called trade agreement acts, and the General Agreement on Tariffs and Trade. They are made, of course, by the State Department and we say, in accordance with the act, it is the President. That whatever trade agreement is made, whatever lowering of tariff as a result of that trade agreement with this particular nation is in accordance with the most-favored-nation clause, every other nation had the advantage of that trade.

Mr. TAFT. You said under GATT?

Senator MALONE. I believe under GATT, but I will confine it.

Mr. TAFT. You are talking about the bilateral agreements? I was not clear, Senator.

Senator MALONE. I believe that is true in the bilateral agreements, but I will confine this question to be clear-cut, to any trade agreement that is made by the President or the State Department as a spearhead in all this business with any nation, and then, under the most-favored-nation clause, every other nation has the advantage of that.

Mr. TAFT. That does not apply to the Iron Curtain countries, Senator, but otherwise the answer is yes.

Senator MALONE. Yes; I think that is well-stated.

Now, if Japan is taken into this organization under this General Agreement on Tariffs and Trade and included as one of the beneficiary nations in this trade family, then they would be entitled also to all the benefits of any trade agreement that might be made?

Mr. TAFT. That is correct. Of course, that is one of the reasons why the negotiation becomes so important.

Senator MALONE. But it is true?

Mr. TAFT. Yes; that is correct.

I am informed, Senator, and this is new to me, that Japan now has the benefit of the most-favored-nation treatment by us.

Senator MALONE. I was not sure of that.

Mr. TAFT. I am not sure myself, but that is what I have just been told, and I think it is correct. They certainly would have it if they got under GATT.

Senator MALONE. Yes; if they became a member of this organization and if this act is extended.

Now, are you aware or have you studied the degree that these nations with which trade agreements have been made carried out the spirit of their agreements with us in lowering their tariffs?

Mr. TAFT. Yes.

Senator MALONE. Well, do you believe that they generally do carry out the spirit of the agreement in lowering their tariff in trade with us, lowering tariffs on their products?

Mr. TAFT. Yes, sir.

Senator MALONE. You do?

Mr. TAFT. Yes, sir.

Senator MALONE. Are you aware that most of them—and I would not say a hundred percent because I could not do that without referring to the record, but the great majority of them—are you aware that they many times change or adjust the price of their money in terms of the dollar for the very purpose of trade advantage?

Mr. TAFT. Senator, they made a general adjustment of their exchange rates in 1949. As to any other period since the war, my answer would be "No."

Senator MALONE. You are talking about the British Empire?

Mr. TAFT. No; I am talking about quite a number of foreign countries.

Senator MALONE. Are you aware that many of these foreign countries can create a new value for their currency for a particular purpose by Executive order?

Mr. TAFT. I am sorry, I was trying to get the material here on the prior question. Would you mind repeating the question?

Senator MALONE. Yes. Are you aware that in many foreign countries a currency with a new value for a particular purpose can be created by Executive order?

Mr. TAFT. In those foreign countries, yes, sir.

Senator MALONE. Yes; some of them.

Mr. TAFT. Yes; but I would say, also, that it involves such an impact on their foreign relations that it has not actually been done. I agree it could be done by some of them, although I do not know their legislative and executive provisions well enough to answer that exactly.

Senator MALONE. That would be a matter of fact?

Mr. TAFT. That is correct.

Senator MALONE. I happen to know, just to complete the record, that it is done in many cases.

Now, do you know that most foreign nations have a permit system for exchange, and that they can prevent, through that simple action, any import, or hold import down on any product or all products, just through that permit system on exchanges?

Mr. TAFT. Yes, sir; and I will be glad to state to you just what it is and what has happened to it, briefly, since 1946, after the war.

Senator MALONE. Go ahead.

Mr. TAFT. I testified about this in the House in brief, and there has also been inserted in the report of the Committee on Ways and Means

of the House of Representatives, on page 37, a detailed outline, country by country, and goes through page 43, which outlines that in great detail.

I would say, in general, because I do not want to encumber the record again, Senator, that in 1945 and 1946 there was almost a hundred percent restriction against our imports in Europe by the use of import licenses and by subjecting our exports to quota restrictions. Those have gradually been reduced and the speed of reduction has been much more rapid in 1953 and 1954. You now have the elimination of those restrictions to the extent of about half in Great Britain, and to the extent of about 70 percent in Germany, and corresponding reductions in most of the other countries. Italy and France are, I believe, the two countries that have reduced the least.

And, as they reduce them, then their reductions previously made, so far as their tariffs are concerned, come into effect and we get the benefits of them.

Senator MALONE. Yes. The fact remains that they do have such a permit system, whether utilized or not. In some cases they may utilize it at any time.

Mr. TAFT. Under GATT there is a provision for an exception due to balance payments problems, which means exchange controls, if they are not able to keep their foreign payments in balance.

Senator MALONE. Well, regardless of what the exception is for, they do have such a system and may exercise it at any time.

Mr. TAFT. Certainly. I was simply pointing out that it was in accordance with the agreement and not in violation of it.

Senator MALONE. But they can do it.

Mr. TAFT. They can do it.

Senator MALONE. Any time they want to?

Mr. TAFT. Certainly.

Senator MALONE. As a matter of fact, in these same nations, a large percentage of them do have a permit system that operates on imports, do they not?

Mr. TAFT. Yes; for the second time.

Senator MALONE. And they may exercise it at their option?

Mr. TAFT. Yes; for the second time.

Senator MALONE. I think we are improving; we are getting shorter answers.

Now, there is one other question here. You are in favor, as you have testified, of the President's authority to give this favored setup under certain conditions to foreign importers?

There is another act before this committee that will be considered in due time, and that is a 14-point reduction amounting to about a 38 percent reduction over the domestic producer on the income-tax collection of a foreign investor.

Would you favor that act, too?

Mr. TAFT. Yes, I favor it, sir.

Senator MALONE. You believe there should be some incentive if a person is going to invest his money in foreign nations?

Mr. TAFT. Yes, sir. I may say, Senator, that since this proposal first came up, the stock market has risen very considerably so that the rate of return in the United States has gone down rather substantially, and that in itself has become quite a substantial additional in-

centive to investment abroad. But that situation was not in existence at the time this proposal was first made.

Senator MALONE. You are for the favoritism of foreign investors?

Mr. TAFT. I do not consider it as favoritism, sir.

Senator MALONE. What do you consider it?

Mr. TAFT. I consider it as a proper incentive for investment of funds in foreign countries to help raise their standard of living and to make them better customers in the end, and also to improve the peace of the world.

Senator MALONE. Well, for whatever purpose, you are in favor of it being passed?

Mr. TAFT. Yes, sir.

Senator MALONE. Now, I am glad to know what is affecting the stock market. There have been certain reports in the newspapers—

Mr. TAFT. I did not say anything affected it; I said it had gone up and the effect of it was to give some incentive to foreign investors.

Senator MALONE. In any case, if we are to pass this Act, you think it would encourage American firms that are now in business here to go abroad with branch plants and other methods of increasing production abroad?

Mr. TAFT. I think it probably would.

Special tax treatment has been utilized and is already in effect, as the Senator probably knows, for Latin America, for this hemisphere. So that this is a matter of extending it to the Eastern Hemisphere.

There is some difference of opinion as to how much it has stimulated investment in foreign countries, but I think the business opinion is that it has stimulated it in this hemisphere.

Senator MALONE. Well, you are in favor of stimulating the foreign investment of firms that are in business here, or any other firm as a matter of fact, American established firms that can go abroad, invest their money in plants there and import the goods here and have an additional income rider?

Mr. TAFT. I would say, Senator, that that applies in a relatively few cases, but where it does apply I do not object to it.

Senator MALONE. In other words, you are in favor of passing the act giving them that 38 percent advantage if they do invest in other nations?

Mr. TAFT. I think it was only a 14 percent.

Senator MALONE. I will stand corrected if that is true. I think it was a 14-point reduction, and it is 52 percent the way it is.

Mr. TAFT. Well, it reduces it to 38 percent. I see what you mean. You mean that is the percentage reduction of the total tax. I have not figured it, but I think that is correct.

Senator MALONE. I may be wrong in the exact percent, but you are in favor of a substantial reduction of any tax payments of any company that will go abroad and operate plants?

Mr. TAFT. That is right.

Senator MALONE. I was interested in your national defense statement.

You believe that any material produced here that is really necessary to national defense should be excepted from such trade agreements?

Mr. TAFT. No; I would not put it that way. I was in favor of the Symington amendment, which is now part of the act, and was adopted

last year. I would rather state it as that amendment does, which is now in the act.

Senator MALONE. What does it do, specifically?

Mr. TAFT. What does the amendment state?

Senator MALONE. Yes.

Mr. TAFT. It appears on page 30 of the act as printed on January 16, 1955. It reads as follows:

No action shall be taken pursuant to such section 350 to decrease the duty on any article if the President finds that such reduction would threaten domestic production needed for projected national defense requirements.

Senator MALONE. Yes. Now, you consider that the national economy and the preservation of the national economy, if any industry is a substantial part of it, would not be important in that regard?

In other words, you wouldn't object to a reduction in duty on any article even though it is a substantial part of the economy of this Nation, unless it was considered important for national defense?

Mr. TAFT. No; I wouldn't say that, Senator. I said in my statement that this is a question of the rate of reduction, that certainly no industry should be subjected to a sudden and drastic reduction of the tariff. That I certainly agree with.

Senator MALONE. This should be gradual?

Mr. TAFT. Exactly. I might point out that one of the advertisements to which I objected talked about drastic reductions which took place as soon as this bill passed.

Senator MALONE. Well, some have. But, anyhow, confining it to what you have just mentioned, you do believe in gradual reductions, that may go below a differential of production on a basis of reasonable competition?

Mr. TAFT. That is right.

Senator MALONE. There is considerable talk about lead and zinc and I merely wanted to inject one thing here. That market was broken by an importation of lead and zinc from the British Empire, mostly early in 1953, and it has been maintained since, imports that broke the price from around 16 cents a pound, which was considered a fair price here, with the wages at \$15 to \$18 a day, to 10 cents.

Mr. TAFT. I think it went to nine, Senator.

Senator MALONE. Well, I think it did, but just round numbers. Sixteen to ten cents and thereby turned about 90 percent of the zinc ore in this country into country rock. An ore is simply defined as a rock or material that can be mined at a profit so that about 90 percent of it turned into country rock when it went to 10 cents, and of course I understood you to say that there had been no effect here that was of any great importance in the economy.

Mr. TAFT. I don't think I said that, Senator.

Senator MALONE. Well, I understood that was the sense of it, and if I am wrong in that I am sorry.

Mr. TAFT. That was certainly not my intent. What I would say was that I approved of the President's steps taken to meet the situation, rather than trying to attempt a quota or tariff.

Senator MALONE. Well, he talked about a stockpile which, of course, has not been successful, and that, too, as a matter of fact, is information available here.

Now, in your comparisons, which were very broad and sweeping, you compared the handmade cigar and that it went out of business. All I may say in that regard, and you may say anything else that you care to, the handmade cigar probably went out from domestic competition; did it not?

Mr. TAFT. That is what I said. I said domestic competition could probable drive a business out just as fast and just as completely as foreign competition, and did it much more frequently.

Senator MALONE. But no one objects—that is to say, we growl a little bit about it but does anyone really object to domestic competition officially?

Mr. TAFT. I think the Senator had better read all of the articles that appeared on the situation in Amsterdam, N. Y., with the Bigelow-Sanford Carpet Mills.

Senator MALONE. I understand we bellyache a good deal.

Mr. TAFT. Well, this went to the Governor of New York and it went to various kinds of Federal agencies that were concerned about the employment end there.

Senator MALONE. There has been nothing come before this committee, that I remember, in 9 years. They may talk about it, but they don't object to it on that basis.

Mr. TAFT. They do not object to it here, Senator, because it is not involved in what they have here ordinarily. When it is, they certainly object.

Senator MALONE. What I am trying to say is this: The policy of the regulations put down in this Congress to its agent, the Tariff Commission, up until and including 1930, was always based on evening the cost of production.

That is to say, on the basis of fair and reasonable competition, and no thought was ever taken by Congress—which, of course, as you pointed out, is prohibited by the Constitution from trying to keep anyone in business where the domestic competition is too tough for him. We are talking here altogether about foreign competition with lower cost production, are we not?

Mr. TAFT. Yes, that is what we are talking about here, but your statement is pretty broad as to other situations. The coal acts of the wartime period came pretty close to doing some of them.

Senator MALONE. Well, I come back to the coal industry.

Mr. TAFT. And I would say that some of the agricultural provisions do something like that. I think those are both special cases so I am not saying I am against them.

Senator MALONE. No coal industry or no coal official has complained to me that they have been run out by the domestic production of oil. They have complained bitterly here that they have been curtailed by imports of lower-cost petroleum.

Mr. TAFT. That is exactly what I am complaining about, Senator, because at the most only 11 million tons out of 155 million tons that coal lost is due to imports. The rest of it is due to domestic competition from oil or gas.

Senator MALONE. It would be a matter of individual judgment, then, but when you say that you are simply saying that if you consider a lower duty does deprive certain jobs here—workingmen of

jobs or investors of their investment—if it is not too great it does not matter, that is about what you are saying.

Mr. TAFT. No, I didn't say that. I said you have to balance the favorable items with the unfavorable that have been directly concerned.

Senator MALONE. Well, you are in favor of that knowledge alone with the President?

Mr. TAFT. Exactly.

Senator MALONE. He can better judge, even though it results in unemployment, if it results in an overall good to the United States of America.

Mr. TAFT. Yes, and I am talking about overall domestic economic good, not just foreign relations.

Senator MALONE. Now, you will probably be interested to know that Mr. Dulles agrees with you. He says, for example, in direct answer to a question on the escape clause, that, "Could we operate this law without any injury to American industry?"

I do not believe we can operate the law without injury to some American industry.

That is what he says and to that you agree?

Mr. TAFT. Yes, sir.

Senator MALONE. He says further:

I do recognize that competition, whether it is domestic or foreign, does injure, and it injures the weaker and less economical units in the industries.

You agree with that?

Mr. TAFT. Yes, sir.

Senator MALONE. He also says:

I do not think you can have imports without some damage, and if you realize that, you will not have imports or tariff reductions, and if there is any damage to anybody, then I think the 1934 Trade Agreements Act becomes automatically unworkable.

Do you agree?

Mr. TAFT. Yes, sir.

Senator MALONE. That is all, Mr. Chairman.

Senator MILLIKIN. Mr. Barkley.

Senator BARKLEY. Mr. Taft, you have been very patient, and of course I will make my few questions very brief.

We have been speaking here today about zinc and lead. Do you know to what extent we are self-sufficient in the production of both of those commodities?

Mr. TAFT. Well, we are not, sir.

Senator MILLIKIN. Mr. Taft, I felt like asking you several times whether you understood you can be seated?

Mr. TAFT. Yes, I understand that, Senator. Perhaps it is because it is a little disadvantage being kind of low, Senator, when you fellows are up higher. Thank you very much for your consideration.

It may be that at a very high price you could produce all the lead and zinc that we used in the United States. I don't think that that is true, however, even there. And certainly if you are going to take the lead and zinc which is most readily available then a certain substantial amount has to come from outside the United States.

From a national defense standpoint I have said before, and I would repeat it here, that lead and zinc that comes from Canada and Mexico is just as available as if it were in the United States.

If it has to come across water it is, of course, subject to submarines and if it has to come across the Atlantic or the Pacific then you may be in a very serious situation. So that I would certainly be in favor of making sure that you could get just as much as possible from the areas that are not subject to attack in the event of war.

But I don't think that you can approach the domestic lead and zinc industry on the basis that all lead and zinc is to be considered as part of our current use, when some of it is certainly very high cost.

Now, where that line should be drawn is a very difficult question to decide.: The Senator has suggested just now that a price of 16 cents a pound was about right. I assume he means for each kind of commodities, in which it case it would mean, say, 32 cents for both. They usually talk about it in terms of a combination of two prices.

Senator BARKLEY. They rather go along together.

Mr. TAFT. Exactly. And sometimes high cost of one may be produced with low cost of the other and, of course, that makes it something desirable to get out. Where that line should be drawn I am frankly not sure. There has been talk, I know, of a combined price of 28 cents. We are up now—I think the Senator can perhaps correct me—to about 25¾ or 26 for combined prices. I think it is something like that.

That is a line that is hard to draw and I wouldn't want to draw it. I think it ought to be drawn by the national defense authorities.

Senator BARKLEY. That was the next question. Not only in regard to these products, but in any product where we do not produce as much as we consume and we have to rely on imports either in time of war or in normal circumstances for a substantial part of our domestic consumption.

Is it possible to draw a line by legislation in a sort of legislative straitjacket so as to attempt to draw that line and say how much can come in or is it wiser to leave that to an executive board created by Congress or authorized by Congress to deal with it in a flexible way?

Mr. TAFT. I would say that that ought to be done.

Now, I would certainly agree that the Congress ought to set up the standard to just the extent that they can.

Senator MALONE. Senator Barkley, will you permit me to make a brief interruption?

I think one thing you have got to keep in mind is that mining is not a static business.

Mr. TAFT. Senator, I understand that and that is one of the reasons why it is very difficult to fix that line. I agree with you.

Senator MALONE. They have got to put out a price that keeps your exploration going. The exploration of little fellows often leads to big results. That must be kept in mind. You can't base this whole thing on what the result is for a big fellow.

Mr. TAFT. I agree with that, Senator, and of course the increase in the tariff gives an awfully nice profit to some of the big fellows.

Senator MALONE. My State is full of collapsed little fellows. They would require a larger price than the big fellow would require, but within reasonable limits I think that price should be available because

you have got to keep your operation going if you have available resources.

Mr. TAFT. Senator, I would like to call your attention to the fact that there has gone on a very substantial amount of the exploration under Government loan under the act authorized by Congress.

Senator MALONE. I would say it is immaterial, at least so far as my State is concerned. My State is full of collapsed mines of lead and zinc. Whole towns are ghost towns that used to be thriving mining enterprise towns.

Mr. TAFT. The second largest contract, for \$1,058,000, has just been executed by the Defense Minerals Exploration Administration to explore for lead, zinc, and copper in Idaho. If the Senator doesn't mind I would like to put this table in the record showing applications for Federal assistance loans made by the lead and zinc mining industry.

Senator MALONE. I wish you would put it in.

(The table referred to follows:)

Applications, total numbers for lead and zinc

	Total number	Lead-zinc	
		Number	Percent of total
Applications.....	2,437	383	16
Executed.....	704	158	22
Value of contracts (millions of dollars).....	\$34.5	\$12.1	35
Successful projects to date.....	147	37	25

Further, a recent release of the lending agency, the Defense Minerals Exploration Administration, states that its second largest contract has just been executed for \$1,058,000 to explore for lead-zinc-copper in Idaho.

EMPLOYMENT

At the close of 1953 employment in lead-zinc mining and milling stood at 14,700, down from 1952 peak of 22,000. I take it figures are available which can show the importance of this decline relative to employment afforded by our export industries.

Further, the proposed tariff would add competitive disadvantage to our lead and zinc smelting industries which depend on imports for large parts of their supplies of ore concentrates.

1954 figures	Tons recoverable metal	
	Lead	Zinc
Domestic mine production.....	317	465
Foreign imports.....	162	449
Total.....	479	914
Percentage imports, total.....	32	49

Primary smelters of lead-zinc employ some 17,500. Should their livelihood be compromised for that of 20,000 miners?

PROPOSED 3-CENT TARIFF

The proposed tariff would be aimed at commodities which now earn for our friends and neighbors about \$250 million a year. It would add a competitive burden of \$35 million a year to our lead and zinc smelting industries, raise the

cost of lead and zinc to primary domestic manufacturers by \$125 million a year, and create large windfall profits to low-cost domestic mines. At the same time it would be almost completely ineffective in helping those marginal mines whose cause has been so eloquently pled before the Senate Finance Committee. Marketing charges would absorb at least half of the 3 cents before it reached the mines, yielding to them about $1\frac{1}{2}$ cents a pound of metal content of ores. In most cases this would be insufficient to cause them to reopen.

Senator BARKLEY. We have a situation, of course, in my State, involving two equations.

One, is the fluorspar. It is used in connection with steel. For a long time the mines in west Kentucky and southern Illinois supplied fluorspar which industries in this country used. Additional fluorspar mines have been developed out in Utah and Colorado and also fluorspar is being brought into the United States from Mexico, to the extent that even the United States Steel Corp., which has a fluorspar mine in Kentucky, has closed it down so that it is not even being run now as a captive mine, because it can supply fluorspar cheaper because of these developments in the West and because of the importations.

So that the fluorspar business in west Kentucky and southern Illinois is almost completely closed down.

Now, I do not know how you can deal with that situation, unless you put a quota on the importation or unless you put the tariff so high that it cannot get in at all. Would you mind commenting on that situation, for a minute?

Mr. TAFT. I was looking up here, Senator, the fluorspar applications under the escape clauses. I believe this is one which was dismissed November 23, 1953. The grounds I am sorry I do not know. I just read that there had been such a proceeding. There was an application for an increase, I think, which was denied by the Commission and rejected. This purports that it was dismissed by the Commission at the applicant's request. I don't know what was involved in that.

Senator MILLIKIN. Senator Barkley, I think the Tariff Commission is considering the matter right now and has investigators on the ground to see what is going on.

Mr. TAFT. Senator, this is still the same question of the relatively high cost versus low cost and the extent to which you wish to protect the high-cost producers in the United States, and you have to get some line of price which brings it out. As I say, this is a terribly difficult item.

Senator BARKLEY. It is a very difficult and acute and embarrassing problem that faces us that we have to deal with.

Mr. TAFT. I realize that. I am afraid I can't give you more light on that.

Senator BARKLEY. Let me ask you about the oil and coal situation in which we are concerned, also. We have great unemployment in the coal regions of Kentucky, West Virginia, and Pennsylvania, and some in Ohio and other places.

Mr. TAFT. Definitely in Ohio, Senator.

Senator BARKLEY. Definitely in Ohio.

Now, 7 years ago we produced practically 600 million tons of coal in this country, a little over 600 million, including both anthracite and bituminous. We are now producing a little over 400 million tons. There has been a drop of a little over 200 million tons.

You stated that the importation of residual oil only involved the displacement of about 11 million tons.

Mr. TAFT. Since 1947, which was the peak, Senator.

Senator BARKLEY. I am informed that it takes $4\frac{1}{2}$ barrels of oil to equal 1 ton of coal; is that about right?

Mr. TAFT. I cannot tell you that for sure. Someone else has figured the equivalent oil-coal ratio, and I have simply given the result.

Senator BARKLEY. Well, whatever it is, you arrived at the result by dividing the number of barrels of oil that goes into a ton of coal into the total amount of imports, and you get whatever it is.

Mr. TAFT. That is right.

Senator BARKLEY. You say it is 11 million.

Mr. TAFT. I say it is 11 million. I want to say that the figures Mr. Kelly put into the record, and I think also into the Congressional Record, seemed on the surface to be inconsistent with my figures. There has been an increase in importation of residual oil and a decrease in domestic production of residual oil. The figures I have given are the net increase in the use of residual oil, no matter what the source of it was. The total effect of the increased use of residual oil, and this is mostly on the east coast, on the use of coal has been the figures that I gave.

Senator BARKLEY. The residual is the oil that constitutes a residue after it has gone through ordinary processes?

Mr. TAFT. Well, that implies it is a waste product. Actually the new cracking systems have made it possible to dispose of almost the entire crude so that some of the refineries in the United States leave virtually no heavy fuel oil at all. I think the percentage of residual yield is down to about 15 percent. When you have a crude oil that has more asphalt in it, that normally produces more heavy fuel oil, and the Venezuela crude oils are of that type.

There also is the question of the cost. These refineries that now have no heavy fuel oil have found it profitable, on account of the price or whatever the market situation is, to produce gasoline or other refined products ahead of fuel oil, so that there has been an increase of imports that balanced a reduction in domestic production of residual fuel oil.

Senator BARKLEY. There is widespread opinion in this coal region that the decline in the coal industry and the decline in employment is almost altogether due to the importation of residual oil.

Mr. TAFT. I realize that, Senator, and it is a very hard thing to meet.

Senator BARKLEY. It is very important to get the real facts because you cannot do anybody justice here nor anywhere else without getting the real facts about it, but they are a little difficult to get.

Mr. TAFT. That is right. There are two considerations here. There has been definitely a substantial increase in the productivity of the coal producers. I did not happen to see it but I have been told, and I suppose a number of you have seen, the Readers Digest article which showed the huge cutter that goes against the face of the seam which has been put to use in the United States. There are no doubt other technological improvements. These developments have increased production per man in the mines.

You also have strip-mining which has certainly come up very much in the last 5 or 6 years. I understand that strip-mining accounts for 25 percent of total production of bituminous coal. Certainly that

again is a type of technological change and the figures that I have would indicate that out of perhaps a hundred fifty- or a hundred sixty-thousand coal miners who are out of work or have been out of work a good eighty thousand, more than half, are due clearly to technological changes of these kinds and that has nothing to do with imports at all.

When you come to the loss of coal markets the facts are that dieselization of railroads is the largest single displacer of coal miners. That accounts, in the 7-year period that we are talking about, for 82 million tons. That is almost eight times the amount that has been affected by residual fuel oil. You have, going to natural gas and light fuel oil in homes, about 38 million tons. You have losses in exports that run to about 35 million tons and last year this was another 4 million that was lost in shipments just to Canada.

As I suggested in my testimony this is due in considerable part to the dieselization of the Canadian railroads so that to insist that this heavy fuel oil is the sole or even a significant cause of coal's difficulties is a total misrepresentation of the facts.

Now, residual oil does have something to do with it, to be sure, but, on the other hand, I would have to point out to the Senator that the people that use it are certainly insistent on having it. The New England Governors, every single one of them, passed a resolution just yesterday in which they opposed the Neeley amendment on this ground, because they use heavy fuel oil and they want to keep on using heavy fuel oil. This is not altogether a question of price because the price ups and downs of fuel oil and of coal in New York Harbor, which is as good a test as any, I suppose, show that in this same period of about 7 years that the cost of fuel oil has gone below that of coal for only about a 20-month period. That is less than 2 years out of the whole 7.

And for quite a period it has been fairly substantially above. This is on an equivalent heat basis again.

But I do not know how you get this word to the miners because certainly it is very, very difficult to get the facts stated fully without getting your head beat in.

Senator BARKLEY. Have any of the railroads that haul coal dieselized their engines?

Mr. TAFT. I think all of them except the Norfolk & Western, so that they had better talk to some of the other boys that are coming here and backing them up about what they would do about that. They don't really try that.

Senator BARKLEY. How much of this residual oil that comes in here comes from Venezuela?

Mr. TAFT. About 97 percent in 1953. I haven't checked on it recently.

Senator BARKLEY. What do we sell to them?

Mr. TAFT. Almost every conceivable kind of goods which come from 30 to 40 States, and cover about everything. I can cite firms around Cincinnati, the people that I call on, the Proctor & Gamble people, the American Laundry Machinery Co., the National Cash Register, and Armco Steel, and further up, Buckeye Incubator. I could go on for quite some length.

There is quite a lot of cotton cloth, incidentally.

Senator BARKLEY. Do we sell them more than we buy?

Mr. TAFT. Of course, it has to balance out over the long run. We sell them about \$500 million worth of merchandise. And we sell them about \$500 million worth of services beside the goods. Their dollars were earned, about 80 percent from oil, divided almost equally between residual and crude. The residual—I am counting in that—the residual was refined from Venezuela crude oil mostly in Aruba and Curacao, the Dutch West Indies, because it is just on the way through to the United States markets.

Senator BARKLEY. It may not be proper for you to go into the political implications involved. Venezuela is one of our best friends in Latin America, politically and economically.

Mr. TAFT. Our second largest customer in the Western Hemisphere.

Senator BARKLEY. Yes; next to Canada.

Mr. TAFT. That is right.

Senator BARKLEY. If this amendment or any amendment undertaking to restrict the importation of this particular commodity into the United States should be adopted, would you feel at liberty to comment or express an opinion as to what effect it would have not only on the economic relationships between Venezuela and the United States but upon her local economic and political institutions?

Mr. TAFT. Well, Senator, it would certainly be very serious. And in the case of Venezuela perhaps, would be the one case that I know of where the general rates of pay—what you might call the standard of living, if you want to put it that way—are as high or higher than in the United States. You can't say that about any other country that I know of.

That is why I mentioned it as the only one that would not be shut off by the Capehart amendment. And I think the committee heard Representative Curtis of Missouri, if I am not mistaken—I talked to him at some length about his idea that our trade is to be encouraged and promoted, particularly where it is beneficial to the general level of the population. And I know that he is entirely satisfied from his investigations that this is true in Venezuela, it is not just a few rich people that tuck it away, or American companies; this money goes to the people actually living there.

The effect—and for that reason, the effect—on the economy of Venezuela, and therefore on the general relationship with the Latin-American countries, would be very serious.

Senator BARKLEY. I am asking you these questions because I was unable to be present when many of the oil people were on the stand.

Mr. TAFT. I haven't read their testimony.

Senator BARKLEY. This is purely in the interest of seeking information.

That is all Mr. Chairman.

Senator MILLIKIN. Anything further, Senator?

Senator KERR. No.

The CHAIRMAN. Mr. Walter C. Ploeser, president of the Mississippi Valley Association, who was scheduled to appear this morning, is unable to be present. I understand his statement is to be presented by Mr. E. W. Rising. Mr. Rising, will you come forward and take the stand?

STATEMENT OF WALTER C. PLOESER, PRESIDENT, MISSISSIPPI VALLEY ASSOCIATION

Mr. RISING. At the 36th annual meeting of the Mississippi Valley Association, February 7 and 8, 1956, delegates unanimously adopted the following resolution on world trade:

Because the navigation interests of the Mississippi Valley depend, for their profitable operations, upon a high level of world trade, and because this type of traffic is an important segment of their tonnage, we recommend to the Congress of the United States the approval of the President's recommendation for a liberal foreign trade policy as embodied in H. R. 1, now under consideration by the Congress.

The delegates came from 30 States and the District of Columbia but were largely from the 23 Midcontinent States that drain into the Mississippi River. Generally speaking, the group came from that area of the United States lying between the Appalachian Mountains and the Rocky Mountains and from the Canadian border to the Gulf of Mexico.

Through the years of our existence the Mississippi Valley Association has looked upon the development of world trade as an important factor contributing to the growth of the United States. We have also seen the absolute necessity of world trade because we come from a surplus producing area. To maintain our present high standard of living we must sell abroad. We produce more farm products and more products of industry than can possibly be consumed in our own area.

Our very existence depends upon trade, both export and import, with foreign countries.

Our members are not thinking of any one industry or any one area of our country. The membership is broadly based, representing all walks of economic life and our interests are as diversified as are the interests of America.

The common interest that holds our members of the association together is their aim to see the Midcontinent area grow. Ours is the world's greatest and most productive valley. Our progress spells vital progress for all of the United States.

There are about a half million automobile workers in Ohio, Indiana, and Michigan, and many others in Illinois, Wisconsin, and Missouri. One passenger car and truck out of every 20 that come off the assembly line in America annually goes to a foreign country. Altogether between 250 and 300 materials from 60 foreign countries go into the manufacture of these automobiles and trucks.

More than 11 million pounds of processed milk left Wisconsin, Illinois, and Missouri farms and traveled across ocean trade routes last year. Cuba and the Philippines imported the bulk of this amount, buying almost all of the evaporated and condensed milk shipped abroad by United States farmers.

Our studies show that the value of American agricultural exports since the year 1945 has equalled each year about one-eighth of our annual cash farm income. These exports account for the disposition of the commodities produced on over 40 million American farms this year. This means that one-tenth of our croplands—1 acre in every 10—is producing for foreign consumption.

A large part of the 1,750 million pounds of rice which this country exports annually comes out of Louisiana and Arkansas. There are over 8,000 farms in the 2 States alone which produce the crop. A substantial portion of the 300 million bushels of wheat exported each year by the United States comes out of the northern part of our valley. Missouri, Iowa, Illinois, Ohio, and Indiana taken together produce soybeans on hundreds of thousands of farms, contributing to the 40 million bushels of soybeans that are shipped each year to foreign markets.

Most of the 3 million bales of cotton shipped abroad annually come from the Southern States of our valley. Kentucky alone has 100,000 farms contributing to our annual tobacco crop, about one-fourth of which ends up in foreign markets.

The turpentine and resin we produce in Mississippi, the petroleum products we refine in Louisiana and in Arkansas, the sulfur which is extracted in the gulf area, our agricultural machinery plants all depend in a significant way on our export markets.

Many of these products that we are discussing here today are heavy bulk commodities and lend themselves to inland water transportation. The mere fact that we have low-cost inland waterway transportation to the gulf makes it possible to profitably export many of these commodities.

The life of the midcontinent area depends heavily on imports as well. Much of this traffic finds its way to the gulf ports and from there up the inland waterways, or over the rails, or the highways to the factories and warehouses of the midcontinent. This is the kind of traffic which has provided the backbone to the growth of our midcontinent transportation system. As an example, wool is being imported by water from Australia to Greenville, Miss. This wool is there converted into carpets and shipped all over the world.

When the Mississippi Valley Association was organized in 1919 there was not 100 miles of continuous river channel in the Mississippi River system above Vicksburg that was navigable at 9-foot depth the year around. Today there are approximately 7,000 miles, with several extensions authorized by Congress and now under construction.

In 1919 there was no common or contract carrier for hire operating on the Mississippi River system except the Federal Barge Line, which had been started as a World War I emergency service. Today more than a hundred privately owned and operated common and contract carriers for hire serve shippers and the Federal Barge Line is now privately owned.

In 1919 there were no privately owned and operated American-flag merchant marine services operating out of our gulf ports. Today there are many excellent merchant marine services under the American flag sailing from gulf ports to practically all the world.

The Mississippi Valley Association is not suggesting that if the Congress should fail to pass H. R. 1 that all of America's export and import business would disappear overnight. But I also do not believe that the passage of H. R. 1 and the continuation of the 20-year-old trade-agreements program for 3 more years, with the limited authority to reduce tariffs further, will destroy any American industries overnight. The effects of the failure to pass H. R. 1 would be much more gradual.

If H. R. 1 is not enacted, the President's authority to negotiate reciprocal trade agreements with other countries will expire next June 12. This does not mean that the agreements themselves will expire; for a while, at any rate, I suppose they will continue. But the other countries of the world will be given clear notice; they will know that from that point of time on the United States tariff will be able to go in only one direction—up. And they will understand that the operation of the escape clause plus the usual mortality that takes place in agreements over the course of time will be bound to cause these tariffs to go up.

In these circumstances, it does not take a seer to foretell what will happen. The United Kingdom, for instance, will very likely begin encouraging new sterling area sources to substitute for the cotton, tobacco, wood products, rice, wheat, and lard she has been getting from dollar sources. The ground we gained in the past year or two, as the United Kingdom relaxed its import restrictions on dollar products of this sort, will be lost again. Gradually that country and other countries like it—Germany, Holland, Belgium, Sweden, and others—will begin rebuilding the import restrictions they have been steadily dismantling since 1952.

The trade of Latin-American countries will also tend to reorient itself over time. If other countries must trade less with the United States, they will find the means of trading more with one another. Many of the raw materials of Latin America which used to move toward the United States will begin to move toward Western Europe. And gradually the Mississippi Valley and the other areas which rely on import and export markets will find hard times and lower prices closing in on them.

But the Mississippi Valley Association's interests do not stop at the boundaries of the valley. We are Americans first of all and our lives are bound up in the larger trends of American life.

As Americans, we are aware that the world is shrinking quickly all around us, and that 3,000 miles or more of ocean scarcely has meaning any longer as a natural barrier. We are part of this shrinking world and we have no real choice but to learn to live in it.

We dare not fool ourselves into thinking that we are strong enough or smart enough to live without the rest of the world. If we do, the world will pass us by. The rich resources being developed in the far corners of the earth—the oil, the minerals, the fibers—will be denied to us as our own grow more and more costly. The growing markets of the new, developing countries which once were stagnant will be denied to us as well. The joint strength we in the free world have against communism by pooling our resources will be diluted. The defeat of H. R. 1 will not be the real question. It could well be that the critical questions will be whether this weakening amendment or that ought to be adopted. If that proves to be the issue, the position of our association is clear. The Mississippi Valley Association is for H. R. 1 as it stands.

It is already the product of years of compromise, years of creating safeguards, and safeguards upon safeguards. We are prepared to place our trust in the administration to administer the bill, as it stands, in the interests of our Nation as a whole. If the President is hobbled any further in his operations under the bill, there may be real doubts

at home and abroad whether what is left can really contribute in any way to the development of world trade.

The CHAIRMAN. Thank you, Mr. Rising. I am sorry that Mr. Ploeser was unable to be present this morning but you may assure him that his views will be given full consideration.

The next witness is Mr. James H. Casey, Jr. Mr. Casey, will you take the stand?

STATEMENT OF JAMES H. CASEY, JR., IN BEHALF OF THE NATIONAL ASSOCIATION OF LEATHER GLOVE MANUFACTURERS, INC., AND AMERICAN FABRIC GLOVE ASSOCIATES

Mr. CASEY. I represent the National Association of Leather Glove Manufacturers, Inc., and the American Fabric Glove Associates; and both stand firmly opposed to H. R. 1. The labor unions representing the workers in the industry join with us in opposition to this bill.

We have on many occasions brought to the attention of the Congress, the United States Tariff Commission, and the CRI the problem of the leather and fabric glove industry, and our problems in the field of foreign trade are no different today than they have been in the past. If a change has occurred, it is in competition; and that is becoming more intense.

A new country has entered our market and during the last few years has been able to drive out all other countries—I am referring to Japan. Its devastating competition can only leave in its path a profitless industry, unemployment, and satisfaction for on one.

In Geneva they are now considering further tariff reductions on fabric gloves to Japan. After having given to this country the better portion of our synthetic glove market, they now want to reduce rates on our cotton gloves, although Japan is already supplying 40 percent of this market. This is going on while you are considering additional reduction under H. R. 1. This reduction can only make competition worse, and is comparable to our asking you Senators to compete salarywise with dollar-a-year men.

In our leather-glove industry, every skin used in the manufacture of a dress glove is imported and 40 percent of our glove market is supplied by imports. I would say this is a generous contribution to world trade, and no more should be asked. But this is not all—France rebates certain social taxes to its glove manufacturers, and Germany guarantees to its importers a profit regardless of prices quoted. Every other country has some form of help for its manufacturers. All this goes on while we cannot export one pair of gloves because of embargoes and restrictions.

Gentlemen, if any place were left for industry to go to present its problem, we certainly would not be asking for your time; but there is no place left. The State Department is in control; and, to say the least, they do have a sympathetic understanding because someone there is considering a “dole” for American workers displaced by underpaid Japanese workers. It gives you a feeling of nausea to hear such talk, yet we must admit it exists because several bills have been introduced for just that purpose.

There is, of course, an answer to all this and that is to strip some of the powers of the State Department and return to the Congress the duty of developing a foreign-trade program. This might also result

in the passing out of a few pink slips—reduction in force—and give to those who advocate a dole a chance to try it out by actual experience.

Mr. Taft, who testified earlier in the day, took it upon himself, as spokesman for the administration, to snipe at the testimony of various witnesses, and brands as culprits those who disagree with him and his free trade policy, while not offering one progressive thought.

Has the thought been offered that, if we are going to have foreign countries on our backs for years to come, the burden of their support should be on all and not just a few American industries? Does Mr. Taft or anyone else believe that displacing an American worker with one in a foreign country working for one-fourth of our wages adds anything to domestic or foreign commerce? We must keep in mind that our employed citizens are the best prospects for American products.

The wolf cry of communism goes up that, if we do not give foreign workers a bigger bite of our domestic market, they will go Communist. Has any thought been given to our domestic worker who finds that under our system of Government he loses his job to a low-wage producer and, at the same time, learns that Congress has increased the minimum wage for his job, which no longer exists? What political philosophy will this man adopt in the future?

Most of the world wants something—in fact, food and clothing are needed in inexhaustible amounts. We, with our abundance, do not need these things. Is it asking too much of our State Department, with their vast experience in solving the problems of the world, to help develop trade among nations which have the things each other wants?

Members of the Senate, most manufacturers would like to get on with their business and to set up long-range programs; but with the confusion that exists over these trade agreements and possible congressional action there is little incentive left other than to try to plan on a day-to-day basis.

In conclusion we stand opposed to H. R. 1 as written and recommend an extension of the Trade Agreement Act for 2 years, give no permission to the President or anyone else to reduce tariff rates for that period of time. However, if such should be considered, all reductions be based on rate existing as of January 1, 1955, tighten the escape clause, and permit the President to overrule the Tariff Commission only when national emergency exists.

Further, that the Tariff Commission must determine that imports are injurious when shown even though there may be other factors adversely affecting the domestic industry.

The CHAIRMAN. Thank you very much, Mr. Casey. It was a pleasure to receive your views.

Mr. J. D. Zellerbach. Mr. Zellerbach, will you take the stand?

STATEMENT BY J. D. ZELLERBACH, PRESIDENT OF CROWN-ZELLERBACH CORP., ON H. R. 1 (TRADE AGREEMENTS EXTENSION ACT OF 1955)

Mr. ZELLERBACH. Mr. Chairman, members of the Senate Finance Committee, my name is J. D. Zellerbach. I am president of Crown Zellerbach Corp., the second largest company in the paper and pulp

industry. Our headquarters are in San Francisco. We manufacture forest products both in the United States and Canada. We sell primarily in the United States, but we also export to some 30 foreign countries.

I have been concerned with foreign-trade matters as a Government official as well as an industrialist. I was United States employer delegate and vice chairman of the governing body of the International Labor Organization from 1945 to 1948; Chief of the Economic Cooperation Administration Special Mission to Italy from 1948 to 1950; and Alternate United States Delegate to the United Nations General Assembly in 1953.

I am also a member of the board of directors of the Committee for a National Trade Policy.

In hopes of contributing to the work of the committee I have prepared the following statement of my reasons for supporting H. R. 1: First, from the viewpoint of an industrialist; and second, from the viewpoint of a former Government official.

As an industrialist I respectfully urge adoption of the Trade Agreements Extension Act of 1955—to further invigorate and strengthen our own economy.

The American paper industry, in my judgment, has an important stake in freer world trade. Our industry sells paper and other forest products to everybody—manufacturers, farmers, publishers, housewives. Accordingly, our industry can prosper only as part of a dynamic and expanding American economy. This, in turn, requires a dynamic and expanding free world economy. Neither the American paper industry nor the American economy can be an island of prosperity in a sea of economic distress.

Our industry, like all segments of the American economy, learned this the hard way during the depression of the 1930's. When the general economic situation contracts, both here and abroad, our sales fall, our productive facilities become idle, unemployment mounts, and some companies go out of business. On the other hand, when the general economic situation expands, both here and abroad, all of us do well.

Since World War II, the American paper industry has been doing well—our production has increased about 40 percent; profits and wages have also climbed. This growth took place as tariffs dropped, as imports and exports increased, and as the free world operated at high levels of economic activity. Fundamentally, our industry prospered because the American economy and the free world economy were expanding.

Freer world trade can contribute in important ways to the further expansion of the American economy within an expanding free world economy. Freer world trade will promote the most economical use of our own resources by enabling us to concentrate on producing the things we make most efficiently, and using part of our efficient production to trade for things which others can make more efficiently than we can. This means that all of us can buy and sell on more advantageous terms than we do today. Thus, freer world trade not only increases our economic efficiency, it also raises our standard of living by making the consumer's dollar go farther.

Protective tariffs interfere with this natural economic adjustment and they have become a drag on our economic development. I say

this as a former protectionist who has learned better. As both an industrialist and a consumer, I believe it is economically wasteful to pay artificially high prices for goods because the tariff is shielding some comparatively inefficient American producers. All of us would be better off if we paid lower prices for the more efficiently produced foreign goods—and if the American labor and capital now involved in comparatively inefficient operations were devoted to producing some of the many things we can make more efficiently than others.

Protective tariffs also jeopardize American exports. We cannot continue to export some \$17 million annually in commercial goods and services unless foreign customers can pay for them with dollars earned through increased sales to us. When our tariffs deny foreigners a fair chance to sell in our market, they inevitably deny our manufacturers and farmers a fair chance to sell in foreign markets.

American exports have become quite important to our economy and to the paper industry as well. More than 3 million Americans, including some 10 percent of the paper industry's employees, owe their jobs to exports. Many sectors of American manufacturing and agriculture sell a large part of their output abroad. All these people, manufacturers, farmers, and wage-earners, are important customers of the paper industry. The level of their exports and the size of their pay checks make a considerable difference in the amount of paper they buy.

This means that the American paper industry has a greater stake in American exports than has generally been appreciated. That stake is not limited to the industry's direct exports of some \$200 million annually. It also encompasses the indirect exports occurring through the paper industry's sales to American producers who, in turn, export.

A Department of Commerce study shows that in 1947, for example, each million dollars of motor vehicle deliveries required production valued at \$3,600 in American pulp mills, \$8,500 in our paper and board mills, and \$10,100 in our converted products plants. On this basis, the 1953 American exports of \$1.4 billion in motor vehicles required production valued at \$5 million in our pulp mills, \$12 million in our paper and board mills, and \$14 million in our converted products plants. Now if motor vehicles exports were to fall by approximately one-half to their 1950 levels our industry's sales to American motor-vehicle producers would also fall, by \$2.5 million from our pulp mills, by \$6 million from our paper and board mills, and by \$7 million from our converted products plants.

Similar relationships prevail in the case of other American export items such as electrical equipment and industrial machinery. These two items, together with motor-vehicle exports, constitute about one-quarter of total American merchandise exports. If the exports of these three items alone were to drop by one-half, the American paper industry's sales to the domestic manufacturers involved would also drop by an estimated \$32 million which is roughly equivalent to the value of all dutiable imports of paper and paper products. Of course, any such shrinkage of American export markets would involve most or all of our manufactured and agricultural exports, and the direct and indirect losses to our paper industry would be many times the value of dutiable paper imports.

So, the American paper industry has a considerable stake in high levels of American exports. High levels of American exports mean

substantial sales and profits and jobs to our industry. High levels of American exports require increased imports so that foreigners can earn enough dollars to buy our exports. Increased imports require liberalization of present American trade restrictions. Thus, freer world trade is essential to the preservation and growth of the paper industry's domestic markets.

These benefits far outweigh any conceivable effects on the paper industry from lowered tariffs bringing increased foreign competition.

The prophets of doom in the paper industry have been proved to be false prophets, and their number has greatly diminished. The record shows that American tariff duties on imported paper and paper products have declined by 66 percent from their peak in 1932. Over the same period our industry's output has increased by 233 percent. Dutiable imports have increased from only one-half of 1 percent to slightly less than 1 percent of comparable domestic production. We have become the fifth largest, and third fastest-growing industry in the American economy, and we now produce about half of the world's total supply of paper and paperboard.

Certainly, the American paper industry has not suffered from tariff reductions on dutiable imports. Nor is it likely to suffer under the further tariff reductions permitted by H. R. 1. The present duties on the majority of dutiable paper imports are already at the minimum rates which would be allowable under H. R. 1. True, duties on other items could be slightly reduced, but such imports represent only a negligible proportion of domestic output. Indeed, I doubt that even the complete removal of all tariff duties on paper and paper products would have very much effect on domestic paper production.

The fact is that the American paper industry, with only a few minor exceptions, has become so strongly competitive that it is highly impervious to any foreseeable foreign competition. It has everything to gain and virtually nothing to lose by promoting freer world trade through H. R. 1 and other measures.

As a former governmental official, I respectfully urge adoption of the Trade Agreements Extension Act to energize the free world's economic strength against Communist imperialism.

It seems to me that all of us have a vital foreign policy stake in freer world trade. We cannot hope to survive as free men unless the Communist drive for world domination is checked. We cannot check Communist imperialism without strong allies. And we cannot have strong allies over the long haul unless the free world is liberated from crippling and divisive trade restrictions. Thus, freer world trade would strengthen and cement the free world alliance which protects our lives and liberties here at home.

Our foreign policy efforts to broaden and deepen the free world alliance will produce only a glorified Maginot line unless supported by real economic strength. We need to put economic muscle behind our mutual defense treaties; our allies must have healthy economies to be able to resist internal Communist subversion, and to build military defenses against external Communist aggression.

Yet, the development of such economic strength is presently fettered by a jungle of trade restrictions. Our own trade restrictions handicap our allies in developing the very economic strength we are urging

upon them. When we deny our allies a fair chance to produce and sell in the world's largest market, we prevent them from fully utilizing their economic resources in the common struggle against communism. Thus, our trade policy contravenes our overall foreign policy.

I have seen our trade restrictions undercut our foreign policy many times while representing the United States abroad. During my Marshall plan experience in Italy, we worked hard to stimulate production and exports so that the Italians could earn their way in the world, so that democratic forces could triumph over extremism on both the left and the right, so that Italy could contribute troops and weapons and bases to the common defense. Yet, shortsighted American trade policies many times cut the ground from under our Marshall plan efforts. Tariffs were raised to block items like almonds which we had urged the Italians to produce for export. Import restrictions were applied to other items like cheese which also were important to Italian economic recovery. We even went so far as to dump American fruit surpluses in Italy's natural historic markets below both the American and Italian market prices. At times, it looked to me as if we were engaged more in economic warfare than in economic cooperation with people we wanted and needed as allies.

In the cheese situation, for example, our restrictions cut imports by one-third, or some 18 million pounds. This difference of 18 million pounds against a total domestic production of 1.2 billion pounds was almost infinitesimal so far as American producers were concerned. But it made quite a difference to Italy which had derived about 10 percent of its total earned dollar income from cheese exports to the United States. The cheese restrictions were even more difficult to understand, since most of the cheeses sent from Italy were of types not produced here.

Similar problems were raised with respect to Tariff Commission recommendations on shelled almonds and briar roots—other items which ranked among Italy's best dollar earners. In these and other cases, tariff increases to protect American producers from the strictly marginal amounts coming in from Italy could have very little impact on the total American market, but would have plunged whole areas of Italy into serious depression.

The other side of the picture is that modest tariff reductions on items imported from Italy have benefited the Italian producers, the whole Italian economy, and even American business. After the Annecy tariff negotiations of 1949, American tariff rates on most mechanical products were reduced from about 15 to about 12.5 percent. Olivetti entered the American market and sold some 10,000 printing calculators in about 2 years—expanding its factory, employing more workers and more than doubling total production. The American industry benefited by the competition because the Olivetti machines introduced new features which caused our manufacturers to improve their products. While Olivetti remains a small factor in the total American market, its success has been very significant in Italy where unemployment is perhaps the most serious economic problem and the greatest spur to the spread of communism.

Italian expansion in mechanical products makes economic sense and it makes political sense. Italy has plenty of labor, much of it

highly skilled, but almost no raw materials. Thus it is especially adapted for an industry which is characterized by a large input of value through labor skills and a relatively small input of raw materials.

Necchi is another example of Italian economic development following the modest American tariff reductions on mechanical products. By 1952 Necchi was earning some \$6 million annually from its sewing machine exports to the United States, which constituted nearly three-quarters of its total production. It built a new wing almost as large as the original factory and installed modern assembly-line techniques, primarily to take care of the American demand. Necchi's main plant in Pavia employs more than 4,500 workers with a high wage scale, broad social and fringe benefits, and an enlightened labor relations policy. These features were drawn from a firsthand study of American practices. As a result, the Necchi plant is regarded among the workers as a real stronghold against communism. This has certainly helped our foreign policy efforts in Italy. Beyond this, Necchi's imports by 1952 had created more than 4,000 jobs in the United States. Only the machine itself is made in Italy—electric motors are made in Wisconsin, wooden cabinets in Mississippi, and the assembly is done in New York.

It seems to me that we have gained ample experience to see the benefits of a liberalized foreign trade policy, and the disadvantages of a restrictive foreign trade policy. It is up to the United States to assert its leadership now to lead the free world forward to widening markets and expanding production or risk the dangers of permitting the free world to lapse into the intensified economic nationalism and political division which Soviet leaders have hopefully predicted.

The adoption of a clear-cut policy of tariff liberalization, as the President has proposed in H. R. 1, would provide fresh impetus toward liberating the free world from crippling economic restrictions. It would be a powerful stimulant to other free nations to liberalize their own trade policies and move toward currency convertibility. We have seldom had the opportunity to accomplish so much at so little cost.

In conclusion, I believe it is in the total national interest for the United States to act now to stimulate freer world trade. Freer world trade can contribute to the further expansion of the American economy within an expanding free world economy. Restricted world trade will certainly contribute to economic contraction—both at home and abroad. Freer world trade can also contribute to the strengthening and solidarity of our free world alliances which shield us from war or creeping Communist imperialism. Restricted world trade will certainly contribute to the weakening and disruption of our alliances, and increase the danger of appeasement and war.

For these reasons, I urge the Congress to adopt the Trade Agreements Extension Act of 1955.

The CHAIRMAN. Thank you very much for your statement. We shall review your statement very carefully when H. R. 1 is taken up in executive session.

Mr. Harry A. Moss, Jr., is next on the agenda, I am pleased to see you. Won't you take a seat?

**STATEMENT OF HARRY A. MOSS, JR., EXECUTIVE SECRETARY,
AMERICAN KNIT HANDWEAR ASSOCIATION, INC.**

Mr. Moss. The American Knit Handwear Association represents the United States manufacturers of gloves, mittens, and glove linings which are knit directly from yarn.

The manufacture of such handwear is separate and distinct from any other branch of the glove industry. It is not part of a larger segment of the textile or clothing industry. Manufacturers of knit handwear do not make any other product.

The separate identity of this industry is important in discussing matters of import competition, such as the current bill, because the life of the industry depends upon its product; and anything which affects the sale of the product directly affects the well-being of this industry.

We understand that your committee staff has prepared a digest of the House hearings on this bill for presentation to your committee in executive session, so that it is not necessary to repeat the testimony of this industry before the Ways and Means Committee.

Suffice it to say that the business mortality of one-third of the firms in the industry, the comparative unemployment of 63 percent of our workers, and the financial loss reported at the House hearings are continuing.

When we testified on February 2, our salesmen had only been in the market for about 3 weeks to sell their lines for next fall. Today they have been trying to sell for 10 weeks, and the prospects are more discouraging than ever.

In our House testimony, we pointed to the hourly average wage of \$1.13 in this industry, compared to the 11.6 cents an hour wage in the Japanese glove industry.

We would like to point out here that a United States Department of Labor study entitled "Japanese Wage Structure and Wages in Japanese Mining and Manufacturing Industries, 1953" states on page 10 that the lowest wages paid the Japanese workers are in the so-called cottage industries, usually performed in the home by women as side work.

A wage survey in a comparable industry in the Yokohama area in the spring of 1953 indicated total wages ranging from 21 to 27 cents per hour.

The bulk of wool glove manufacture in Japan is done in the home. This is not unusual, as the manufacture of knitted gloves in all countries outside of the United States is considered a cottage industry.

In view of the comparative labor conditions between the United States and Japan in the manufacture of knitted gloves, it is easy to understand why this industry opposes the enactment of H. R. 1 in its present form.

The CHAIRMAN. Thank you Mr. Moss. Your views will be given very careful consideration when the bill is taken up in executive session.

The CHAIRMAN. I submit for the record at this point a statement received from Mr. J. S. Leach, chairman of the board of the Texas Co., in support of the trade agreement extension but opposed to the Neely amendment on the importation of crude oil.

(The material referred to is as follows:)

STATEMENT OF J. S. LEACH, CHAIRMAN OF THE BOARD, THE TEXAS CO., ON H. R. 1
AND THE NEELY AMENDMENT

The Texas Co. ranks second as a producer of crude oil in the United States. It markets petroleum products in all 48 States, and through subsidiaries and affiliates has extensive foreign operations—in Canada, Latin America, the Far East, the Middle East, Africa, and Europe. On the basis of our experience in both domestic and foreign operations, we would like to present our views on H. R. 1 and the Neely amendment.

Speaking first of H. R. 1 itself, the Texas Co. is definitely in favor of passage. We stated to the House Ways and Means Committee, on January 20, 1954: "This legislation deserves the support of the Congress as a realistic and middle-of-the-road approach to the problem of creating more favorable conditions for continued growth in international trade."

In our judgment, H. R. 1, without amendment to provide special protection to individual United States industries, is a necessity if our Nation wishes to maintain a policy of expanding the flow of trade and investment within the free world.

Failure to enact the legislation, or loading it with crippling amendments, would be taken by other nations to mean that the United States has turned its back on the principle of reducing obstacles to trade. The results could be very disadvantageous to American business operating overseas, to the American domestic economy, and to the strength and cohesion of the free world.

The proposed Neely amendment to H. R. 1 would restrict total United States petroleum imports to levels well below those of recent years.

This amendment is particularly harsh in respect to imports of residual fuel oil. It would restrict imports to about 143,000 barrels a day in 1955, compared with the 1954 level of above 353,000 barrels per day. The Texas Co. imports very little of this oil, but it is strongly opposed in principle to this type of legislation.

Virtually all imports of residual fuel oil are for east coast consumers. In that market there is no other available source of fuel which would fully meet the requirement at prices near present levels, if residual fuel imports were slashed to the impracticable extent the amendment proposes. A definite hardship would be imposed on many east coast industrial, commercial, and public utility users of imported residual fuel.

The intention is to help the coal industry, but the benefits to that industry would be small. The Neely amendment would force a reduction of about 210,000 barrels per day in residual fuel imports, compared with 1954, the equivalent of some 18 million tons per year of coal. Such an amount of coal is of minor order compared with the 239-million-ton reduction in United States coal production in the past 7 years.

The decline in coal production has been due largely to technical and competitive change, particularly the dieselization of railways and the successful competition of domestic natural gas for some important markets formerly dominated by coal. In the judgment of the Texas Co., to attempt to solve the coal industry's problems by drastic action against residual fuel imports would represent a most dangerous and unwarranted precedent of Government interference to assist one industry by damaging another.

The United States consumes about 60 percent of all petroleum used in the entire free world. But we have only about 20 percent of total free world proved reserves of petroleum. It appears highly probable, therefore, that despite intensive exploration and development of domestic petroleum resources, foreign crudes will have to be counted as an increasingly important component of our Nation's overall fuels availability. Consequently, there is a basic need for flexibility in respect to the source of crude oil, and legislative restriction on imports of foreign crude would be entirely inappropriate.

Moreover, the domestic crude oil producing industry is showing strong growth, evidence that petroleum imports are not undermining its strength. In 1954 the industry drilled more exploratory wells and more development wells than in any previous year in the Nation's history—a basic indicator of the industry's vitality. Production also is showing great strength. In recent months it has been the highest in the industry's history, and there is every indication that domestic crude production in 1955 as a whole will set a new alltime annual record.

There is, therefore, no sound argument for legislation, such as the Neely amendment, to restrict oil imports. It is our considered judgment that such legislation would be detrimental to the American oil industry and would adversely affect our Nation's economic strength and security.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF HON. PAGE BELCHER, MEMBER OF CONGRESS

The oil imports situation is steadily getting worse. I have studied this problem carefully over a long period and, although I realize and believe there is no substitute for reciprocal trade, I firmly believe we should protect our own people from the disaster which may result in the buying of foreign goods while our domestic goods go begging for a market. The solution is to determine, through study and investigation, the percentage of foreign products we should be able to handle without endangering the economy, welfare, and security of our own people.

The heavy importation of oil into our country from the Middle East is presenting more and more difficulties for the local producers, especially those in Oklahoma. Oklahoma's economy is benefited greatly by the oil industry. It has virtually been the staff of life for the people of this State, and any regulation that decreases interest and discourages progress in this industry will certainly have a binding effect on the people and revenue of that State. Both branches of Oklahoma's State Legislature have passed a resolution urging that oil imports be restrained and, in general, the consensus of those most concerned with Oklahoma's welfare agree that excessive oil imports should be curbed.

Although I am concerned with the damage oil imports are doing to all oil-producing States, I am even more disturbed with their relation to the national security and welfare. Apparently, we haven't stopped to determine the amount of security we have in foreign oil in comparison to what domestic production has to offer. It only stands to reason that this oil-producing area across the sea would be a major target in event of war, and we would then be dependent on our own domestic sources. If the curbs are continued on State allowables, causing companies and individuals to be discouraged in the drilling of new wells and the finding of more reserves, we will come up short when and if the time should ever arise to call on our resources to come to our aid in a national emergency. This foreign oil, therefore, is not in a position to be considered a good risk, securitywise. A military expert recently commented that our chances of defending Middle Eastern oil are about like Russia's chances of defending Mexican oil. This could be a fairly accurate comparison.

There are other commodities affected by excessive imports, but oil just happens to be one of the most important ones. I feel that some action should be taken to safeguard and assure domestic production for all products which might be vital to our national defense.

In the past, Oklahoma has led the way toward providing and adopting a good conservation program. It was first to adopt laws and regulations providing for production of oil and gas without waste, and utilizing reservoir energy and reserves. Competition with other nations who do not attempt to follow any conservation practices is unfair and will eventually break down all efforts toward maintaining a worthwhile program such as this. There is still a lot of oil to be found in Oklahoma, and we must keep the situation healthy in order to take advantage of all of our great resources.

When considering what is the best policy and law to be passed, we must never forget those elements which are most fair to our own people. If we throttle the oil industry and people connected with it, we may be tying our own hands in the event of a national emergency. I feel therefore, that this situation should be studied now and an import percentage arrived at which would encourage trade with other countries and still help us to maintain a stable economy in the oil industry for our own producers.

As for Oklahoma, we cannot sit and watch the destruction of one of our principal sources of income. I voted for H. R. 1, but I did everything possible to get an opportunity to amend it. We must arrive at a regulation which will encourage further development of our oil industry. There is a solution to all problems, and perhaps with further study and investigation we can come up with the right law ending the battle over oil production and imports.

Based upon the information which I have, I am of the opinion that an amendment should be adopted to limit the import of foreign oil to 10 percent of the domestic consumption. Therefore, I strongly urge this committee to do the thing that should have been done in the House of Representatives, and, in my opinion, would have been done if we had had an opportunity to vote on it.

Senator MILIKIN. We will recess until a quarter to three.

(Whereupon, at 1:45 p. m., the committee recessed to reconvene at 2:45 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:45 p. m.)

The CHAIRMAN. The committee will come to order.

The first witness is Mr. Donal M. Sullivan, executive secretary of the independent Oil Men's Association of New England.

Mr. Sullivan, will you take your seat, sir, and proceed in your own way?

STATEMENT OF DONAL M. SULLIVAN, EXECUTIVE SECRETARY, INDEPENDENT OIL MEN'S ASSOCIATION OF NEW ENGLAND, INC.

Mr. SULLIVAN. Thank you, Mr. Chairman, my name is Donal M. Sullivan. I reside at Wellesley Hills, Mass., and am here, as executive secretary, to represent the Independent Oil Men's Association of New England and, I hope, in some measure, to speak the interests of nearly 10 million consumers in the 6 New England States.

My formal remarks will take less than the 10 minutes prescribed by the committee because we wish to cooperate in the effort to finish these hearings and because we are grateful to the chairman—for your kindness, sir—for his permission to supplement the testimony given for this association before the House Ways and Means Committee hearings. Now, since that testimony, a new situation has developed.

Why are we here today? We are here because Senator Neely and others have introduced an amendment which would damage the independent oil jobbers and dealers of New England and touch adversely the lives of nearly all of the people of that area. The Neely amendment proposes a limitation on residual-oil imports. New England imports two-third or more of its residual-oil supply. The domestic industry, including that in Oklahoma, will not replace it if Senator Neely's amendment takes it away. The combination of domestic refining procedures and the demand-percentage formula of the Neely amendment means an ever-decreasing supply of this product for New England at ever-increasing prices.

This would leave small New England businessmen in the oil industry scrambling in a battle for a share of a limited supply to service their customers who would in most instances find it impossible—and I stress the word "impossible"—or painfully expensive to convert to coal. The net result: Probably little significant gain for the distressed coal miners; chaotic fuel supply conditions in New England. This is not hyperbole; it is fact.

(For supporting data on damage to New England, see p. 2530, hearings, House Ways and Means Committee, 84th Cong., on H. R. 1, testimony of J. P. Birmingham; also, see p. 1392, hearings, House

Ways and Means Committee, 83 Cong., on H. R. 4294, testimony of J. J. Gill, and p. 1399, testimony of Mr. M. J. Ryan.)

Here, if I may, I would like to interpolate just one example of the conversion problem which would face users of residual oil in New England. One New England jobber surveyed his residual-oil customers and found the following:

Of 837 buildings and plants, only 14 have alternate facilities to burn other fuels, and only 9 of these 14 have 100-percent capacity to convert from residual oil to coal. And while we are on the subject, just one example of the attitude of people toward coal as a fuel:

In World War II many users of residual oil were forced to convert to coal in New England. A Providence jobber reports that every customer he lost through conversion requested immediate reinstallation of oil-burning equipment within 90 days from V-J day.

Now, Oklahoma and Texas oil spokesmen, occupying with coal a strange legislative bed, should investigate very carefully the assertion that the Neely amendment means no price increase for residual oil, no price increase for crude.

While we are on the Neely amendment, I regret that the Senator from Pennsylvania and the Senator from Kansas, who are cosponsors of that amendment, are not here.

In New England we know we pay the same price for foreign residual as for domestic. We do not accept the proposition that the Neely amendment, having introduced a rigid supply factor, will repeal the economic law that says: shortened supply plus increased demand equals higher price. Nor do we accept the proposition that the Neely amendment will mean significantly more numerous jobs for coal miners. We do heartily agree that it means more money—with gentler taxes than ordinary Americans often pay—for those most extraordinary petitioners for subsidy, the oilmen from Texas, Oklahoma, and other producing States. They seem to need the help of the poorest workman in New England who burns kerosene in his tenement flat.

May I interpolate, How can the independent producers from Oklahoma and elsewhere ask the Congress to free their natural gas business from the Federal Power Commission control and in the same breath go along with the Neely amendment interference with thousands of small-business men in New England?

I submit, without elaboration in order to save the time of the committee, the proposition that the supply-demand-price mechanism affects crude oil as well as residual oil. I believe that this proposition will not really amaze the spokesman for crude oil import restrictions. Nor will it amaze, in time, the homeowners and motorists of New England who will pay the price of the Neely amendment.

New England must have a flexible supply of residual oil—and here I would like to insert a quotation from the remarks of Senator Kennedy, of Massachusetts, in the hearings on the Trade Agreements Extension Act of 1953, at page 1370 of the House record:

Decline in the coal industry is not due to residual oil imports primarily but to problems of technology and transportation, methods of productivity, conversions of railroads to other fuels, milder weather, reduced exports, and other problems of industrial relations, and particularly the tremendous increase in the use of natural gas as a substitute fuel.

And New England needs a flexible supply of crude petroleum and products. Every responsible public official in the six States knows this. The Conference of Governors of New England, on March 15, reiterated it.

I am informed, Mr. Chairman, that Governor Roberts, of Rhode Island, as chairman of the New England Governors' Conference, has sent to you a copy of that resolution, and I assume that it will be included in the record. If by any chance the mail is not operating on that I have a copy here which I would like to hand to the stenographer, or to you, sir. I think it is an accurate copy, sir.

The CHAIRMAN. Yes, I have received a letter from Governor Roberts transmitting the resolution adopted by the New England Governors' Conference at Boston on March 15, 1955. The governors' letter and the resolution will be made a part of the record at this point.

(The information referred to follows:)

STATE OF RHODE ISLAND & PROVIDENCE PLANTATIONS,
Providence, March 17, 1955.

The Honorable HARRY F. BYRD,
*Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.*

DEAR SENATOR: I am enclosing a resolution in opposition to the Neely amendment of H. R. 1. This resolution was adopted unanimously at the last meeting of the New England Governors' Conference held in Boston on March 15, 1955. If it is possible, we would like this resolution to be included in the record of the hearings on H. R. 1 for the consideration of your committee.

The New England Governors have taken a strong stand against the possible restrictions of oil importations on several occasions because of the vital effect which any restriction would have on New England households and businesses.

May I personally thank you for the courteous consideration and treatment that I received from the Senate Finance Committee in my appearance before it recently.

Warm personal regards.
Sincerely yours,

DENNIS J. ROBERTS, *Governor.*

Whereas New England is totally dependent on outside areas for petroleum products needed for its industry, for the heating of its homes, and for the operation of motor vehicles; and

Whereas the nearly 10 million people of the New England area are thus intimately affected by any restraints on its access to competitive fuels; and

Whereas restraints upon the importation of residual fuel oil would add millions and millions of dollars to the costs of utilities, small manufacturing plants, and large buildings, to the great damage of the economic health of our area; and

Whereas restraints upon the importation of crude oil, with its effect on the flexibility of supply of home heating oil and gasoline, would threaten the welfare of every motorist in New England and some 1,200,000 heads of New England households centrally heated by No. 2 fuel oil and countless homes dependent on kerosene heating; and

Whereas United States Senator Neely of West Virginia and other Senators have proposed to the Senate of the United States the so-called Neely amendment to the Trade Agreements Extension Act of 1955, which is now before the Senate Finance Committee; and

Whereas the Neely amendment would hold the importation into the United States of crude oil to 10 percent of the domestic demand for crude oil and all products such as gasoline and home heating oil; and

Whereas this amendment would restrict the importation of residual fuel oil thus cutting New England's normal supply of that product drastically and progressively since New England depends on foreign sources for at least two-thirds of its residual oil supply: Now therefore be it

Resolved, That the Conference of New England Governors voice their strenuous opposition to the Neely amendment or any other amendment which would

tend to limit the supply of, or increase the cost of, fuel for New England homes, motor transportation, or industry.

Adopted March 15, 1955 by the New England Governors' Conference at Boston, Mass.

Mr. SULLIVAN. Any amendment, sir, that of Senator Neely or another, which denies New England its free access to a competitive fuel market is bad, very bad, for New England. We submit that it is bad economics, bad for the jobber, bad for small business, bad for the consumer, and bad, I suspect, in the long run, for the coal industry and the oil industry. And may I say, with one small voice, that if the spirit of the Neely amendment is to prevail in the United States Senate, it will be a sorry day for more than New England.

That, sir, concludes my statement—

The CHAIRMAN. Thank you very much, Mr. Sullivan.

Mr. SULLIVAN (continuing). I hope, within 10 minutes.

The CHAIRMAN. Senator Malone, any questions?

Senator MALONE. Mr. Sullivan, I think you have made a very clear statement, and your ideas are very clearly outlined in the record. I would only ask a couple of questions just to be sure what your position is on the fundamentals of this thing. Now, I think your position, as far as you are concerned, and the retention of what you now consider to be an advantage, is very clear.

You have studied the 1934 Trade Agreements Act and also the 1930 Tariff Act, I presume. Have you?

Mr. SULLIVAN. I have read them as they appear in the House Ways and Means record.

Senator MALONE. The purpose of my question is not necessarily to indicate any deep study. But in the 1934 Trade Agreements Act, Congress did change the principle of adjusting the duties, what we call tariffs, in the protection of American industry, did they not?

Mr. SULLIVAN. Sir, I should say in order not to mislead you that my appearance here is in a representative capacity, and I am not authorized by the people I represent to speak on the general considerations of the tariff policy of the United States.

Senator MALONE. I will simplify my question. If you do not care to answer it, it will be all right, because I thoroughly understand your position, and I think your statement is very clear.

The 1930 Tariff Act was a development of over 75 years, nearly a century, and a development of the authority and the responsibility vested in the Tariff Commission, an agent of Congress. I think it was created to adjust the duties, imposts, and excises, as an agent of Congress. They did lay down a principle of the protection of American industry through evening the competitive advantages through a duty or a tariff. That is to say, establishing a fair and reasonable competitive basis for foreign competition with American industries through a duty that made up roughly that difference between the wage, standard of living, taxes, and other costs of doing business in this country and in the chief competitive country, so that only one principle, then, was laid down and that was to even competition based upon fair and reasonable competition, and adjusted up and down to keep that even and proper balance.

Now, in the 1934 Trade Agreements Act, transferring from the Congress their constitutional responsibility of regulating foreign trade and setting these duties, they took in other factors. That is,

the President could consider other factors that might benefit the economy of the United States in his judgment or benefit our international relations.

I was going to ask you just a simple question; that is, if you and your people, or you personally, favor the change in the principle laid down.

Mr. SULLIVAN. My people have made no expression on the subject, and my views as an individual citizen I am sure would not be important to this committee.

Senator MALONE. Well, I think you are mistaken in that regard, but I will not insist on an answer, because you have taken a neutral position so far, but as an individual important enough to come down and be heard before this subcommittee, your views are of some importance, and you are familiar with your area and other areas.

And as an individual, would you care to express an opinion of the broadening of the powers, first in transferring it from Congress to the Executive, and then in his judgment taking in other factors besides a fair and reasonable competitive principle?

Mr. SULLIVAN. No, sir; I do not think I should. I have great respect for this committee and its Legislative Reference Service and the great knowledge which its members, including yourself, sir, have of the subject, and I think it would be presumptuous on my part to express my views.

Senator MALONE. I think your position is very fair, and if you do not care to take a position, it will not be urged.

One more question, Mr. Chairman.

Now, we do have, and I suppose you have heard of the General Agreement on Tariffs and Trade at Geneva, that operates with 30 or 40 nations in making trade agreements that they consider advantageous to all nations. You may have heard of the International Trade Organization that was rejected by Congress a few years back, and the International Materials Conference that was organized by the State Department to do the same thing, that was designed to divide up our markets with other nations.

Would you generally be in favor of keeping such organizations, world organizations, over which we have in the Congress very little control, if any, operating to regulate world trade through the fixing of duties or tariffs?

Mr. SULLIVAN. I can only answer, sir, that as an individual citizen, who has experienced the late depression and the last war, even as you as a good artilleryman did the first, that I rely on the statesmanship of the Senators of the United States who, in my opinion, are the most powerful body in the world, to protect us and to protect primarily our survival as a Nation, regardless of questions of individual employment or profits for either me or Oklahoma.

Senator MALONE. I think that is all, Mr. Chairman. I think the witness has taken a very fair position, personally.

The CHAIRMAN. Thank you very much, Mr. Sullivan.

Mr. SULLIVAN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. B. B. Jennings, president of the Socony-Vacuum Oil Co.

We are glad to have you Mr. Jennings. Just take a seat, sir, and proceed in your own way.

**STATEMENT OF B. BREWSTER JENNINGS, PRESIDENT,
SOCONY-VACUUM OIL CO., INC.**

Mr. JENNINGS. Mr. Chairman, Senator, my name is B. Brewster Jennings, and I am president of Socony-Vacuum Oil Co.

Your committee has a summary of points brought out in the House hearings. To save your time, I shall not repeat arguments then made, but for the record will say that I favor the extension of the Reciprocal Trade Act contained in H. R. 1.

An amendment imposing a 10 percent quota on crude and residual oil imports has been proposed. If this amendment is adopted, I believe that the progress in international trade represented by H. R. 1 would be reversed. For this reason, I am devoting the balance of my statement to petroleum imports.

There are a number of important reasons why I believe it is not in the national interest to subject petroleum imports to quota legislation.

1. The United States consumes 60 percent of the oil used in the free world and, with only 21 percent of the proved reserves, is consuming its own supply 4 times as fast as is the rest of the world.

2. We have relied heavily in the past on oil from Venezuela and Colombia, and development of reserves in these countries as well as Canada depends on continued access to our market.

3. As the United States demand for oil increases we may someday want more supplies from the Middle East, which now has 62 percent of the world's reserves.

4. Import quotas would impair our relations with friendly foreign nations and probably lead to retaliatory action prejudicial to exports of many of our industries and firms.

Only a serious disruption of the domestic oil-producing industry could justify action so detrimental to our stake in foreign crude production. I ask you to consider these points.

(1) The Bureau of Mines estimates that in 1955 there will be an increase of 4 percent in domestic demand and that domestic crude production will average 6,537,000 barrels per day—a new record.

(2) New wells drilled in the United States in 1954 totaled 52,918—also a record. This compares with 37,508 in 1948.

(3) Large bonuses are being offered for petroleum leases on State and Federal lands.

(4) Crude-oil prices increased in June 1953, when imports were approximately the same as today.

By any normal standards, these facts would be considered evidence of a healthy industry. Some have expressed concern because a margin of excess crude producibility of some 2 million barrels per day has developed. Incidentally, this does not mean that a comparable increase has taken place in our total reserves. As a matter of fact, the important relationship between crude reserves and annual crude production in the United States has decreased from 13.5 to 1 in 1940 to 12.8 to 1 in 1954.

In relation to our greatly increased consumption of oil, 2 million barrels per day of excess producibility does not seem out of line. In 1940, for example, when excess producibility was 1 million barrels per day, production was 78 percent of capacity. In 1954, with 2 mil-

lion barrels of excess productibility, production was 77.3 percent of capacity. In terms of an appropriate reserve for military purposes, we are today in about the same position as at the outbreak of World War II.

Many attribute today's increased excess crude producibility to crude imports. In 1948 we had no excess crude producibility. Since then crude imports have increased some 300,000 barrels per day. In other words, 1,700,000 barrels of the present excess has been generated entirely within the domestic industry.

Our petroleum needs are so great and so complex that no judgment on the import problem should be reached without considering the impact of oil quotas on those countries from which we import oil.

The principal oil production in South America is in Venezuela and Colombia. These countries have been good neighbors of ours and United States companies have played an important part in developing their petroleum resources. During World War II, oil from South America was of prime importance to our allies and ourselves and later tided us through difficult periods of actual shortage in 1947 and 1948.

The proposed 10-percent quota on oil imports would affect Venezuela more drastically than any other country. The fuel-oil quota alone would cut 193,000 barrels a day from imports of residual refined from heavy Venezuelan crude. The resulting loss to Venezuela's income would force a drastic reduction in its imports from the United States, which now amount to over a half billion dollars per year.

The only residual oil which Socony-Vacuum imports enters under bond and is sold to ships engaged in foreign trade. We do not import any other residual oil into the United States. As a matter of principle, however, we are just as opposed to restrictions on residual-oil imports as we are to restrictions on crude-oil imports. A 10-percent quota on residual imports will cause a shortage of this products in the United States, particularly along the Atlantic seaboard. The interests of present consumers of fuel oil must be considered. Ships cannot burn coal and are entirely dependent on residual oil. Other consumers who are unable to convert to coal include apartment houses, churches, schools, hospitals, large and small commercial and industrial establishments.

The damage to our Venezuelan neighbor and the hardships which would be suffered by fuel-oil consumers in the United States would appear to outweigh the small increase in coal consumption that might result from the proposed quota.

Now let us consider Canada. Canadians and ourselves visit across our 3,000-mile border freely and frequently. Not unnaturally the economies of both countries have become interdependent. For years a Canadian refinery in Ontario ran on crude oil piped from Oklahoma and Texas. Now that Canada has developed oil production, some of this Canadian crude oil should flow to such refineries in the United States as are geographically conveniently accessible—particularly those on our west coast, where there is a growing shortage of light-gravity crudes. A great number of American producers, large and small, have participated in Canadian oil developments. Regardless of their attitude toward imports from other areas, they would be appalled if their production in Canada were denied its natural market in the United States.

Our Government and Canada in 1950 agreed to a Statement of Principles for Economic Cooperation which has never been withdrawn and which states, among other things, "that the production and resources of both countries be used for the best combined results," and "barriers which impede the flow between Canada and the United States of goods essential for the common defense effort should be removed as far as possible." Any quota applicable to oil imports from Canada would appear to be a repudiation of this agreement.

The role of Middle East oil is often misunderstood. Crude from the Middle East has been and will continue to be devoted largely to Eastern Hemisphere needs. The movement to this country is marginal and in 1954 amounted to less than 3 percent of United States consumption. The day may come, however, when the United States will want substantially more supplies from the Middle East. Our consumption of petroleum is expected to nearly double in the next 25 years. In order to take care of this demand without additional imports, the domestic oil industry would have to discover about a billion barrels a year of oil more than has been found in the United States on the average since World War II.

While quotas would not affect the Middle East as seriously as Venezuela or Canada, the potential repercussions should not be underestimated. If any action by our country should be interpreted as discrimination by the free world against Middle East oil, not only would a future supply for our own requirements be jeopardized, but more immediately our allies would be affected. Ninety-four percent of the crude run in Western Europe comes from the Middle East. Without this oil, Western Europe's industrial gains would be wiped out practically overnight. We cannot afford to take any action which might improve Russia's chances of getting a foothold in the Middle East. Nor should we overlook the point that the 9-to-1 advantage in oil production enjoyed by the free world probably has been a major deterrent to Russian aggression.

You have had brought to your attention the report recently submitted by the President's Committee on Energy Resources. While there obviously will be special problems arising from time to time which were not covered in the report, the committee, in my opinion, has adopted a reasonable approach to the problem of oil imports. The committee recommended, you will recall, that every effort should be made to avoid the necessity of Government interference and that reliance should be placed on voluntary individual actions of importing companies.

There are some who would challenge this recommendation, contending that voluntary restraints have already proved a failure. I don't think that any such conclusion is justified. On the Pacific coast the production of light crude has not kept up with the demand and there is now a shortage of this crude in that area. Such excess producing capacity as the industry now has lies east of the Rockies and was built up from 1949 on. In 1949, following closely on a period of shortage, the first postwar controversy over imports arose. Crude imports in the areas east of the Rockies for that year constituted 9.2 percent of the consumption and in 1954 this figure was 10.1 percent, an increase of less than 1 percentage point. While there have been no formal or informal arrangements relative to imports, this suggests that the various companies, in working out their individual situations, have not exceeded reasonable levels.

Insofar as Socony-Vacuum is concerned, only last fall we reduced our East coast imports by 9,000 barrels a day. The increases which we had planned for 1955 involved crude imports from Canada for our new refinery at Ferndale, Wash. After the President's Committee on Energy Resources issued its report in February, we again reviewed our planned program and decided to make a further cut of 16,000 barrels a day in our crude imports. Because of contractual commitments we shall have to effectuate this reduction in steps, namely, 5,000 barrels a day in May and June, 13,000 in July and the full reduction of 16,000 will be attained in August. After our 16,000-barrel-a-day cut becomes fully effective, our total imports will be at the same rate as our average for 1954.

In summation, I simply want to reemphasize the extraordinarily difficult problem which will confront anyone in attempting to restrict oil imports by legislation. It would take a super Solomon to design a program to do this without causing irreparable damage to our foreign relations, and ultimately to our economy. Without denying that excessive oil imports may at some point constitute a problem requiring legislation, it is my considered judgment that this point has not been and may never be reached, and that from every long-range point of view, it would be contrary to our national interest to impose tariff or quota restrictions at the present time.

The CHAIRMAN. Thank you very much, Mr. Jennings.

Senator MALONE. Any questions?

Senator MALONE. Mr. Jennings, your statement is very clear and your stand in this matter is very clear.

You believe that the importers of petroleum, who for the most part are also domestic producers—is that not true?

Mr. JENNINGS. It is true yes, sir.

Senator MALONE. Should be allowed to judge the balance of foreign imports against the domestic production?

Mr. JENNINGS. At the present time, yes, sir.

Senator MALONE. What would change that conclusion on your part?

Mr. JENNINGS. If imports became excessive in the light of all the factors that are to be considered, then I should think that would constitute that kind of situation that you envision.

Senator MALONE. Then what would you do then? What would you suggest as a remedy?

Mr. JENNINGS. I would like to cross that bridge when I got to it, sir.

Senator MALONE. We are to it.

Mr. JENNINGS. Well, there is a difference in judgment on that point, sir.

Senator MALONE. At least, this committee has to decide whether to cross it or not.

Mr. JENNINGS. That is correct, sir; yes.

Senator MALONE. You agree with that?

Mr. JENNINGS. I agree with that.

Senator MALONE. Now, I am inclined to agree with you, Mr. Jennings, that to pick out one material out of 5,000 or more products that either are injured now by imports, or the claim is made that they are endangered—and I agree that nearly all of those thousands can be injured under the 1934 Trade Agreements Act, if it is carried to its logical conclusion—I agree with you on that point, that one should

not be selected and try to arrange a quota leaving out all consideration of others.

Would you say that if there could be a method arranged so that foreign producers of petroleum and domestic producers could be put in a proper relation, using that word "proper" in connection with an evener of cost of production, as for many years the duty was used, if an equitable way could be worked out to do that, would you favor it?

Mr. JENNINGS. Senator, I am not an expert on these tariff acts. I have been present today and listened to the interesting discussion between you and Mr. Taft this morning.

The point occurred to me that this matter of imports and the relative positions of foreign materials and domestic materials is very much more complicated than one first may think, and that our policies in respect of imports should not be determined by one particular criterion, such as this matter of balancing your costs of production.

It seems to me that there are so many factors that enter into every one of these things that it would be almost impossible to fit it into a formula, a precise formula.

Senar MALONE. I agree with you, sir, it can be made very complicated. That is the reason I asked you about the principle. My next question is going to be along the lines that your answer already made would probably fit. If you agree with the change in principle, or you did have a principle, of fair and equal competition on all these products. When that cost is considered, if it is not the top cost and not the lowest cost, but a reasonable cost, and the Tariff Commission is well equipped to determine that cost—you always have your offer-for-sale price. We even have yours when you import oil, and a landed duty-paid, or customs cost, so you do agree, I understand already from your answer, that the principle should be changed from that one principle of fair and reasonable competition to considering these many factors, and I have always been under the impression that almost any factor can be considered under the 1934 Trade Agreements Act that the President considered important in international relations and in the economy of the United States.

Do you agree with that statement?

Mr. JENNINGS. I did not understand that last part about the President's consideration of international relations. What was that?

Senator MALONE. Well, I agree with your answer—no, not with your answer, but I agree with what you apparently consider to be true, and that is that under the 1934 Trade Agreements Act, they changed this principle so that many factors can be considered instead of one.

Mr. JENNINGS. Yes; that is right.

Senator MALONE. That the President can, under the 1934 Trade Agreements Act, consider almost any factor that he considers beneficial to the economy of this country and beneficial to international relations.

Mr. JENNINGS. That is my understanding, yes.

Senator MALONE. And you think that is a good thing?

Mr. JENNINGS. Yes.

Senator MALONE. I have no quarrel with your opinion. I just wanted the record to be clear.

Now, I did understand you to say—and I do not know that it would be very clear, but I think it would be in rereading your statement—that the proportion of reserves to the production has decreased in 14 years from 13.5 to 1 to 12.8 to 1.

Mr. JENNINGS. That is correct; yes, sir.

Senator MALONE. I do not understand, though, the value of that conclusion. Explain that to me, will you?

Mr. JENNINGS. The point is that in relation to our capacity to produce oil, in other words, in relation to our oil resources in terms of reserves, we are producing today at a somewhat faster rate than we were some years back. In other words, the demand for oil has increased so rapidly, and the production of oil, the daily production of oil, has increased so rapidly that we have not been able to maintain the backlog of reserves expressed as a ratio to that production.

Senator MALONE. I see that, and I assume that you are correct in that, without attempting to compute it. But it seems to me that the thing that is important is—now, see if you agree with this statement that I believe myself, from the investigation that we have made:

That oil has been discovered faster in this country than the production in this country.

Mr. JENNINGS. That is a correct statement, Senator, but in order to maintain an adequate ratio between reserves and production, if you have increasing production, you obviously do have to find more reserves each year than what you consume.

Senator MALONE. No; I would not say so. Now, let us clarify it, because you are in the oil business, and I am just an engineer that has watched it for 30 years. But there is a lot of this detailed matter that I would not be familiar with.

Now, I am very much interested in what you say on this point, because it has been clearly established that we are discovering new reserves in the Nation faster than we are using the oil.

Mr. JENNINGS. That is correct; yes, sir.

Senator MALONE. And it seems to me that is the important thing.

Mr. JENNINGS. I do not know quite how to put this point that I have in mind. I suppose the best way to look at it would be to reduce the thing to a smaller figure altogether.

If you had \$10 in the bank and you were spending a dollar a week, you would have a certain reserve against contingencies. Now, if you had \$10 in the bank and you were spending \$8 a week, you would not have that same degree of ability to meet unforeseen developments. That is analogous to this ratio of reserves to production that we try to keep in mind.

Senator MALONE. Unless you are depositing \$9 a week, and that is what we are doing in finding reserves.

Mr. JENNINGS. We are not building reserves as fast as we use them. That is the point.

Senator MALONE. You mean you are not building the reserves as much faster than the known reserves as we are increasing the use over the present use?

Mr. JENNINGS. Yes. I can give you a figure—

Senator MALONE. I do not see the value of it.

Mr. JENNINGS. I can give you figures that will be precise on that point and add them to the record. But over a period of years, our re-

serves have increased, let us say, 50 percent during a time when our consumption has increased by 70 percent, and that is what has brought about this change in ratio.

Senator MALONE. Yes.

In any case, even if you are correct in the analogy—and I just did not see its importance, and maybe you are right upon careful reading of it—but it took 14 years to reduce that ratio 1 percent.

Mr. JENNINGS. That is right.

Senator MALONE. That is not very fast.

Mr. JENNINGS. Well, it is 1 percentage point; I mean, it is 1 year. These ratios are expressed in—

Senator MALONE. No. It was 14 years over which this took place.

Mr. JENNINGS. We must not think of reserves that way. You could not produce all of our crude reserves in 14 years. You know that as well as I do, and better, probably.

Senator MALONE. But it took 14 years to reduce the ratio from 13.5 to 1 to 12.8 to 1—

Mr. JENNINGS. That is right.

Senator MALONE. Which it seems to me would make it take quite a while before you got it below a ratio that was dangerous.

Mr. JENNINGS. I think that is a fair observation. I do not want to be an alarmist.

Senator MALONE. And that is why I wanted to call attention to it, because it looked so reasonable when you first read it, and did not mean much when you analyzed it.

Now, I do not know whether you have any idea about these organizations or know anything about them, but I am going to ask you if you are familiar with the General Agreement on Tariffs and Trade Organization at Geneva, and their work.

Mr. JENNINGS. Beyond knowing that it exists and is operating, I am not familiar with the details; no, sir.

Senator MALONE. Unfortunately, the American people do not know much about it, either, and it is very far removed and a very dangerous thing in the opinion of many others.

Now, they just organized another World Trade Organization in the United Nations through an Assembly resolution. Are you familiar with that organization, the World Trade Organization?

Mr. JENNINGS. No, sir.

Senator MALONE. Were you familiar at all with the International Trade Organization the State Department put before Congress 3 or 4 years ago?

Mr. JENNINGS. I knew of it, but I never followed its operation closely.

Senator MALONE. Did you know its character?

Mr. JENNINGS. I would not say that I did; no, sir.

Senator MALONE. Well, they wrote about a 350-page pamphlet and sent it up here, but it could be voiced in 1 paragraph. That was an organization, worldwide, with about 40 or 50 or 55 nations that would sit down at least once each year, and estimate the production for the entire year of each of the world products, and the world consumption, and divide it among the nations on the basis of entitlements for consumption, that many of us could only interpret according to population.

Now, the Congress rejected that organization. But immediately the State Department organized an International Materials Conference, surreptitiously, to do the same thing. Would you think a world-wide organization on that basis would be smart for us, with our markets in the pot?

Mr. JENNINGS. If I understand your description of this correctly, and you are suggesting some kind of supernational body that would parcel out all the movements of international trade, I could not be more against anything; no.

Senator MALONE. I think you would be, because I consider you as president of this organization one of the outstanding Americans in this country, just like Mr. Holman.

Mr. JENNINGS. Thank you.

Senator MALONE. And while we might differ in the way things should be done, you are in business; you have made a success of your business, and you are entitled to be heard on that basis. I agree with you.

The General Agreement on Tariffs and Trade, the new worldwide organization created by an Assembly of the United Nations resolution, an International Trade Organization, and the International Materials Conference, has no place in our economy at all. But even if you agree that the Congress should relinquish its authority to the President to judge it, at least it should not get out of the President's hands.

Mr. JENNINGS. I would like to get clear on one point. When you summed this up, you included the GATT as well as these other organizations, with which I was not so familiar. Now, it is not my understanding that the operations of GATT, what little I know about them, are along the lines that you described a minute ago.

Senator MALONE. Now, this is conjecture, too, because no one knows too much about GATT, even some of the people that are in it. At least, it is hard to get them to admit it. But they do operate on their own; they do sit down there, 30 or 40 nations, and have these multiple agreements and understandings, and we are bound by them although we have not approved the organization. There is some rumor that it is coming here. I myself gravely doubt that we will ever see a General Agreement on Tariffs and Trade here if we pass this act and continue the Trade Agreements Act, because I think, and I agree with Charley Taft this morning—there are very few things that I can agree with Charley Taft on—but I do agree with him that it is already authorized, and certainly will be authorized if we pass this thing in front of us now.

And you turn that organization loose, 3,000 miles away from here, and you will really have something. Some of us believe it is a dangerous thing. However, you are entitled to your opinion. I am not going to ask you what it is, because you say you do not know much about it, and I do not really know enough about it to be positive, but I would certainly know all about it before we passed on it. But I think they are going to bypass Congress if they can get by with this thing that is in front of us.

Mr. JENNINGS. On that I have no knowledge, Senator, what they are doing.

Senator MALONE. I understand that.

Now, if we were to—although you do not agree with this—but if Congress was to decide that the American producer of petroleum

should have his place in the sun and the American markets on the basis of fair and reasonable competition, and the Tariff Commission, an agent of Congress, fixed the tariffs on that basis, or duties, and were allowed to fix quotas, if necessary, to furnish that protection, would that as a matter of fact retard Europe's supply of oil from the Middle East?

Mr. JENNINGS. If the Congress passed, you say, quotas?

Senator MALONE. If Congress decided to allow the Tariff Commission—if it did not extend this act, we will say, or as a matter of fact passed a quota system here. And I do not agree with a quota system alone, because I think it is impossible to arrive at the right quota. Even if it is right at the present moment, it probably would not be right in 6 months or a year.

Mr. JENNINGS. It could not be.

Senator MALONE. So it would have to be adjustable by some organization, not by law. And that could be done by the Tariff Commission. But if we allowed our Tariff Commission—and again went back to it, which we would do if we did not extend this act—to protect the American producer, give him his place in the sun; that is, equal access to his own markets here, and not leave it to you as an importer or the Standard Oil Co. or the Texas Co. or anyone else that is interested in it, but to do it on principle, and it did retard the imports here to an extent that they were needed to supplement the American production, which is the theory of the whole Tariff Act up until 1934, how would that prevent Europe from benefiting from Middle East oil? You brought that into the situation and I could not understand it.

Mr. JENNINGS. It would not prevent Europe from obtaining Middle East oil so long as nothing else happened. But, of course, the political situation out there is far from stable, and if any country which is regarded by the Middle East nations as being part and parcel of the free world of the West does something which they think is unfriendly, it is bound to affect feeling toward us adversely. And by "us," I mean everybody. That is an intangible. It is very hard to say.

Senator MALONE. Yes, I know. I have been out there.

As a matter of fact, I was with Ibn Saud in 1947 for a while.

Mr. JENNINGS. I remember you were out there.

Senator MALONE. Were you there then?

Mr. JENNINGS. I was there a year later. I was there in 1949.

Senator MALONE. Well, I went all over your operations there. They were very kind to me. We had a plane, and I guess we saw every oil area and operating well. At least, we intended to. And it was a tremendous operation. I think you deserve credit for the kind of work that is being done out there.

But I am talking about the protection of the economic structure of this Nation, which I consider part of its national defense, just the same as protecting some materials that might in that crisis be necessary to the national defense.

The economic structure is more important than any one material.

Now, to maintain the economic structure, if it is done on the basis of fair and reasonable competition, it does not mean that you are preventing imports, but that you are bringing them in on your basis of reasonable costs, which means they would only come in to supplement

and not retard any production here. How could, in your opinion, a foreign nation consider such an action unfriendly?

Mr. JENNINGS. Well, to the extent that you pass laws that prevent the free flow of commerce, it is to the disadvantage of the nations who otherwise would be selling goods to you.

Now, again, you cannot put a value, a precise value, on that.

Senator MALONE. I think from your standpoint you could consider that an item. But you are familiar with the fact that practically none of these foreign nations allow us to import anything into their countries in any amount, any considerable amount, that they themselves produce. Are you familiar with that fact?

Mr. JENNINGS. I am not familiar with it in detail, Senator, but really from what I have seen of these countries—and I have traveled abroad a fair amount over recent months and years—I think that most of those countries abroad would like to take a lot more stuff from us than they are taking, and the reason that they do not take it is because they cannot pay for it.

Senator MALONE. Well, that is the reason I do not have an extra automobile.

Mr. JENNINGS. Yes.

Senator MALONE. I think——

Mr. JENNINGS. That is their problem, too.

Senator MALONE. Yes; sure. I think that there are two ways for a nation to have a shortage of that money. One, of course, is just like an individual if he persists in spending more than he makes each year. And the second one is that they fix a price on their money in dollars above the market price. And you know that is customary in Europe. Therefore no one will pay it but what I call a dumb Congress, and Congress will pay whatever they set on it, and give them money. But no individual would. He could not. His banker would not let him.

Mr. JENNINGS. You are talking about the black markets over there?

Senator MALONE. Well, I am talking about what they set as the market. But the black market is more or less what it is really worth.

Take, for example, one of the South American countries. I am very sympathetic with all of their operations there, because I take it for granted that the leader believes that he is doing what he has to do, and one of them has a price of 190 units of his money for \$1, and a dollar is worth 1,800. So it is not a very good investment climate, but nevertheless he considers it necessary, that is, that country considers it necessary.

Then on that basis they think that they ought to get money from here, either through the Export-Import Bank or in some other manner. But when those nations are doing those kinds of things and know themselves that they are doing it, how could they consider it an unfriendly act if we give them equal access to our markets but no advantage?

Mr. JENNINGS. Well, I do not think I can add to what I have said before, that any restriction, if imposed, is going to be regarded in some degree as an unfriendly act. It may or may not be justified. But that is the way they will regard it.

Senator MALONE. That is what I really meant. You are a businessman, and you live in New York?

Mr. JENNINGS. Yes, sir.

Senator MALONE. There are probably great demands on your company for contributions here and there, and maybe when you do not make those contributions people think you are very unfriendly. But you have to take that chance, do you not?

Mr. JENNINGS. That is correct; yes, sir. We take the chance frequently.

Senator MALONE. Of course, you do. In other words, you have to do what has to be done on a business basis, and if someone misunderstands it, in order to survive, you just have to take that tongue lashing.

Well, Mr. Chairman, I think that the witness has made a very clear statement. His position is very well outlined, and I have no more questions.

The CHAIRMAN. Thank you very much, Mr. Jennings, for your contribution, sir.

Mr. JENNINGS. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. William Tracy, International Secretary-Treasurer of the United Brick and Clay Workers of America.

Mr. DUFF. Mr. Chairman, due to the lack of voice of the Secretary-Treasurer of the United Brick and Clay Workers of America, Mr. Tracy, who is in the room, I, Nathan Duff, the general counsel for the organization, will make the presentation.

The CHAIRMAN. Will you give your name?

Mr. DUFF. Nathan Duff.

STATEMENT OF NATHAN DUFF, COUNSEL, UNITED BRICK AND CLAY WORKERS OF AMERICA, A. F. OF L.

Mr. DUFF. The sole aim and purpose of the United Brick and Clay Workers of America in appearing before this committee is to plead for the economic life of an industry in which our members are employed, which will inevitably be strangled if the Reciprocal Trade Agreements Act is extended.

The dinnerware and art pottery industry of America is at the threshold of extinction, and will be extinguished unless the act is permitted to expire. The term "dinnerware" encompasses earthen and china tableware and the term "art pottery" describes lamp bases, vases, flower containers, candy jars, bowls, figures, and the like made of earthenware and chinaware.

If this industry is further strangled by legislation and trade treaties, and it is denied relief through established procedures, thousands of employees, both skilled and semiskilled, will be deprived of their livelihood; the millions invested in plants and equipment will be worthless; the economic interests of the butcher, the baker, the supplier and the distributor will be adversely affected to a material degree and in general, immeasurable harm will be imposed and suffered without the slightest benefit to the foreign welfare of this country—the avowed aim of the extension act.

That our fears are not fancied is demonstrated by statistics of record with the Tariff Commission and with the Committee for Reciprocity Information.

Eighty-six percent of the china dinnerware purchased in the United States is imported. Seventy percent of this comes from Japan and the remainder from Europe.

And I might depart from the statement to say that as of January 1, 1948, the imports from Japan were nil.

The wage scales in the foreign country producing such wares range from one-third to one-tenth of those paid the American workers. The item of wages in this industry represents approximately 65 percent of production costs. These labor costs exist despite the fact that mechanization and automation, wherever practical, has already been achieved. No amount of ingenuity nor mechanization nor workmen's productivity will ever be able to place this industry in a reasonably competitive position with foreign producers.

The domestic chinaware industry produced 728,000 dozen pieces of tableware in 1947 and 800,000 dozen in 1954.

This negligible increase, which represents about 1 week's work for the employees in the industry, is the more significant because it occurred during the period of a vast home-building program which created an enormous market for household furnishings of all types, including dishes. While the furniture and household appliance industries have increased the manufacture, display and sale of those particular domestic wares during that period by more than 300 percent, the display and sale of domestic dishes became, and are still becoming, proportionately less as each day and month passes.

An examination of any newspaper carrying advertisements of dishes will reveal that sales outlets are emphasizing and reemphasizing the savings that can be effected by the purchase of Japanese- or British-made wares.

The ever-increasing sales of imported dinnerware has resulted in decreased man-hours worked, in decreased employment, in decreased earnings, in decreased purchasing power, in decreased tax payments and in increased relief benefits of various sorts. In short, reciprocal trade agreements, as they have affected the dinnerware industry, have been the sole and exclusive cause of the injury and harm sustained by this segment of our free enterprise system and by the thousands of our people who have, and will continue, to depend thereon for their livelihood.

The status of the art pottery industry is equally distressing. In 1946 the total domestic production of art pottery amounted to \$50 million; in 1948 to \$30 million; in 1950 to \$25 million; in 1953 to \$20 million, and in 1954 it reached the dangerous depths of \$18 million.

If the act is continued, it is safe to expect that the total production in 1955 will show a further substantial decline and we have good reason to fear that the industry will be totally destroyed by 1958 when the production and sales of the vast majority of individual manufacturers will have dropped below the break-even point.

During the years 1946-54, as a result of free trade and cheap labor, imports have steadily increased until that total, in the latter year, was approximately \$25 million.

Based on statistics, experience, and the results that must flow from the ever-increasing activities of sales outlets which concentrate on selling the cheaper Japanese and British products, it is safe to estimate that the total imports of art pottery for 1955 will be between \$28

million and \$30 million and if our prosperity continues, the total should exceed \$35 million in 1958.

At the present time, art pottery imports equal 130 percent of the entire domestic output. If our domestic production should drop to \$15 million as we fear, because of the anticipated imports between now and 1958, then it is obvious that the imports will equal 230 percent of the entire domestic output and survival will be impossible.

This saturation of the American market has been accomplished, we reemphasize, under prevailing tariff rates, which is the most convincing proof that reduction in tariffs is unneeded to stimulate imports of these wares.

Since the great bulk of art pottery is produced in California, the depressed conditions prevailing in that State are representative of the entire domestic industry.

In 1946, California sold \$25 million of art pottery and, in 1954, this dropped to \$13 million, or a decline of approximately 50 percent.

In 1946 there were 600 plants in that State devoted to the manufacture of such wares and in 1954 there were only 200 plants, a decline of 66 $\frac{2}{3}$ percent.

In 1946 there were approximately 6,000 skilled and semiskilled workers employed in the art pottery industry in California and in 1954, there were only 2,500 so employed, which represents a decrease of about 60 percent.

Unless some relief is had, we are fearful that during the next 3 years the number of plants in California will be cut by at least half and that many of the remainder will be compelled to cut wages to meet the break-even point. This decrease in plants necessarily means more unemployment and more relief.

Our opponents contend that there are various protective legislative devices to which we might resort for relief, but they overlook the fact that we have resorted thereto without success. We refer specifically to the "no injury", the "peril point" procedure for setting tariff rates and the "escape clause" for raising duties which have inflicted serious injury on American business and workers.

The "no injury" rule sets forth the principle that under the Trade Agreements Act, no tariff reduction or other concession "shall be permitted to continue in effect" when it has led to imports" in such increased quantities either actual or relative as to cause or threaten serious injury to the domestic industry producing like or directly competitive products."

The "peril point" provision sets forth a specific procedure to be followed prior to negotiation of any trade agreement. The Tariff Commission is authorized to set peril points on any item subject to negotiation below which, in their opinion, a lower rate would mean serious injury to domestic producers. The President is not obligated to observe these peril points in negotiating a trade agreement, but if he chooses to go below this level, he must report his reasons to Congress.

The "escape clause" provides a means whereby anyone adversely affected by a tariff reduction can petition for an increased duty. Upon the application of domestic producers, the Tariff Commission must hold a public hearing to determine whether or not an existing tariff has caused imports of a particular commodity "in such increased

quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products." The Commission must make a report on this issue not later than 9 months after the application is filed. If the Tariff Commission finds that "serious injury" has resulted, it can recommend changes in the duty or the imposition of quotas. Its recommendations are forwarded to the President who is not obligated to accept them, but, if he does not, he must state his reasons to Congress within 60 days, at the same time making public the report of the Tariff Commission.

Let the record reveal the results of these protective devices.

As indicated, the industry is being slowly strangled. Its total extinction is merely a matter of time. During the past 13 months, the dinnerware and art pottery industries of this country appeared before various governmental agencies to support their right to live, to operate and to function. Within the past few months they appeared before the Tariff Commission and submitted substantiated evidence that foreign imports, at existing rates of duties, have been the sole and exclusive cause of the strangulation of this industry.

Despite the uncontroverted facts and evidence that there has been a decline in production, in sales, in plants, in employment, in man-hours worked, in earnings and returns, due to the ever-increasing imports produced by cheap labor, and the prospect that the industry will be extinguished, the Tariff Commission has seen fit to deny industry's application based on the foregoing protective devices.

That the escape clause is without force or effect, from the practical standpoint, is best demonstrated by the record of the Tariff Commission. Under the law, a total of 51 cases have been decided. Of these, 36 have been turned down by the Tariff Commission itself, while of the remaining 15, the President has adopted the recommendations in only 5 cases. Of these 5 cases, 2 applied to manufacturing industries, namely, women's felt hats and watches, and the other 3 applied to cloverseed, dried figs, and hatters' furs. This, sirs; we submit, is full answer to the contention that this industry can obtain relief under the devices aforesaid.

In giving consideration to our plea, we trust that the committee will give thought to these facts:

(a) The United States has a more liberal trade policy than most other countries of the world, and I might add that that is so even under the so-called reciprocal trade policy.

(b) Our tariffs are now among the lowest.

(c) American workers are paid 3 to 10 times as much as foreign workers.

(d) Cheap imports based on low wages do not benefit the American economy if the same type of goods are made here competitively by high-wage labor.

(e) Genuinely efficient competition demands that competitors be placed on an equal footing.

(f) Where lower foreign wages place our manufacturers at a marked disadvantage, all, or a major part, of this should be made up by a tariff on the imported product.

(g) Tariff rates on foreign products which are also made in the United States should produce as much revenue as the Government collects in taxes when these products are made in this country.

(h) American concessions under the reciprocal trade policy have not been reciprocated by equivalent concessions from other nations.

In order that equity might be rendered to the dinnerware and art pottery industry and to others similarly situated, we respectfully suggest that legislation be recommended and adopted whereunder qualified agencies might make a product-by-product or industry-by-industry investigation to determine the extent of any necessary adjustment in tariff rates and that these adjustments be imposed under congressional supervision and not under the supervision of the State Department.

We might add that we have inserted this because we, this industry, have suffered most under the free-trade policy.

This industry has stated to the House Ways and Means Committee in hearings held on H. R. 1 that:

We seek no Government favors or subsidy nor do we seek a monopoly in the domestic market. We ask only the opportunity solely on the basis of our ability to meet fair competition. Competition from foreign producers who operate under conditions which are wholly illegal in this country constitutes unfair competition.

With these sentiments, we wholeheartedly concur. We beg that the economic life of the dinnerware and art pottery industry be saved in order that our people might continue to earn a livelihood. This can be accomplished if the Reciprocal Trades Agreement Act is permitted to expire.

Thank you.

The CHAIRMAN. Thank you very much, sir.

Any questions, Senator Kerr?

Senator KERR. No questions.

The CHAIRMAN. Senator Barkley?

Senator BARKLEY. Is your organization part of the A. F. of L.?

Mr. DUFF. Yes, the United Brick and Clay Workers of America.

Senator BARKLEY. It has endorsed the extension of this law?

Mr. DUFF. No. The A. F. of L. has. This is the United——

Senator BARKLEY. I mean, the A. F. of L. has?

Mr. DUFF. The A. F. of L. has.

Senator BARKLEY. You do not agree?

Mr. DUFF. No, sir.

Senator BARKLEY. Did you present your views to the A. F. of L. in regard to this matter?

Mr. DUFF. No, we have not had any convention or any manner or means or opportunity to present it. They were kind enough to obtain this time, and we notified them that our views and their views were at variance.

Senator BARKLEY. All right. Thank you. That is all.

The CHAIRMAN. Senator Malone?

Senator MALONE. I have watched the operations of the A. F. of L. for many years, Mr. Duff, because I am very much interested in their organization, as I have long believed that if there is any representation of labor on the conservative side, it would be the A. F. of L. I could be mistaken about that. There may be many other organizations. But I have watched it closely, and I have noticed that practically every year they get a little closer to repudiating the 1934 Trade Agreements Act, but they have never quite reached that point. What

they do do is to say that they favor reciprocal trade, but it must not do damage to the wage living standard in this Nation, or words to that effect.

Is that not about the way they endorse it?

Mr. DUFF. Senator Malone, may I say this, that in the American Federation of Labor, there are approximately 111 international unions. All of us economists—

Senator MALONE. International unions?

Mr. DUFF. International unions.

And the American Federation of Labor is a confederation of us all. We, of course, have the right—they have no control over our right of speech or right of thought, and we all find ourselves in disagreement.

Now, we might say that we are fully cognizant of the history of the tariff movement. We are fully cognizant of the origin and development of the free trade or reciprocal trade agreements. We are fully cognizant of the speech of the President on January 10, and we know what the aims and views are of the administration and of those proponents of the extension of this act.

But we feel that we have been unjustly dealt with in this particular industry because while we were a very thriving industry, even in the thirties, during the depression, we are gradually and slowly being strangled and extinguished. We perhaps might disagree with the American Federation of Labor because our selfish interests are at stake in this case.

Senator MALONE. Well, you are saying that the A. F. of L. has become an international organization?

Mr. DUFF. No, no.

Senator MALONE. In effect?

Mr. DUFF. Well, it has certain—

Senator MALONE. In other words, they have interests in foreign countries as well as here.

Mr. DUFF. It has certain international interests. No. We call ourselves international unions because we represent people both in the United States and Canada.

Senator MALONE. You are talking about the A. F. of L.?

Mr. DUFF. No. We are talking about the United Brick and Clay Workers of America.

Senator MALONE. Well, there is not very much difference, not so much difference, between the wage standard of living in Canada and this nation as in other nations, is there?

Mr. DUFF. No. We have protected that, Senator Malone. We are operating there. We are promoting that. The American Federation of Labor does have international interests.

Senator MALONE. But is that the thing, then, that keeps it from taking up for the interests of the domestic workers?

Mr. DUFF. No.

I think that although I cannot speak for them, their views are, if they can raise the standard of living in foreign countries, it will be helpful to all workmen throughout the world.

Senator MALONE. There is no question about that but what do you think of that approach without any safeguard as you go along? What do you think about the approach of the continual lowering of tariffs without safeguards on the part of domestic workers?

Mr. DUFF. We strenuously oppose the constant and continuous lowering of tariffs without safeguards. Here is a perfect example: When are you going to stop? You have strangled us. You have strangled us on the ground that you must render economic assistance to a defeated nation like Germany.

If you strangle other industries as you have strangled us—and I ask again where will it stop? Assuming you permit the importation of products that will hurt automobiles and steel and coal and chemicals, then we in turn will become a communistic nation because those people must depend upon somebody for a livelihood. If they can't depend on the free enterprise system they will have to depend upon Government.

Senator MALONE. As a matter of fact—you look to me Mr. Duff like a man who has done some work in your lifetime.

Mr. DUFF. I have, sir.

Mr. MALONE. When you come right down to it is there any way that you can protect American workingmen and investors except on the principle of having that "duty" as the Constitution calls it, act as evener and adjust the difference between the living standard here, and the chief competitive nation, on the basis to give you a free and competitive market? Is there any other way to do it?

Mr. DUFF. I see no other way.

Senator MALONE. In other words you can give lipservices to the proposition that you will raise wages all over the world—I don't know if you have seen any of these thin nations but I have seen all of them except behind the Iron Curtain and Russia and in half the world they have no living standards, at all. They do not understand our understanding of a capitalistic system or a living standard. We give lipservices to it here in this country that we are dealing with them on this basis and they don't know what we are talking about. When a man doesn't know where he is going to sleep at night and when he gets insufficient wages to have a standard of living for his family, he doesn't know what you are talking about by having curtains on the windows and maybe paying on an automobile or a television set or something. He wouldn't understand that; would he?

Mr. DUFF. No, sir; and I am well aware of that.

Senator MALONE. All we do is to mouth those things. When you come down to cold turkey, how are you going to hold your standard of living out when you live on a product that everybody knows can be produced at half price in 2 or 3 different locations in the world, and with cheap water transportation brought in here? Except to have a principle laid down by Congress to some agency of the Congress, that they shall see to it, on a flexible basis, that you are protected on a difference between reasonable cost here, and the reasonable cost in a competitive nation, and keep it adjusted to that basis—how else can you do it?

Mr. DUFF. There is no other way.

Senator MALONE. Lets just you and I, regardless of what anybody else does, cut out the flowery stuff that raising the world standards is going to help you. If you lower that duty, as the Tariff Commission was directed to do in 1930, when the chief competitive nation raised its wage standard of living, and to that extent, then when they live about like we do, it is automatically free trade; isn't it?

Mr. DUFF. Oh, yes.

Senator MALONE. Then isn't that our objective, yours and mine, just like it is of those theorists—that we want free trade but we want to keep high our standard of living while we are bringing it around? Isn't that the only difference?

Mr. DUFF. That is absolutely right.

Senator MALONE. I worked in a glass factory one time. It has been quite sometime ago, but the way we stayed in business was on account of that duty.

What do you say, Mr. Duff, to the statement that sounds good to maybe everyone in every industry and to 98 percent of the population, that the consumer is entitled to the cheaper price if an article is being made in some portion of the world cheaper? If they can do that cheaper than we can do it here isn't the consumer here entitled to the saving? What do you say to that?

Mr. DUFF. Senator, we of course have a deep interest in the consumer because he is the trade unionist, but we feel this, that where the consumer has received wage increases and benefits on the basis of certain products costs, we don't feel that he should turn about and say that he receives \$20 a day or \$10 a day and then try to buy a Japanese product when he was receiving an increase to buy an American product.

Senator MALONE. If you follow that through to a logical conclusion, which no one seems to do, and everyone abides by the result, 5,000 or more industries need this duty. If the duties are removed to a certain extent so that the consumer gets it cheaper, these people who are working in all these industries are the consumers, aren't they?

Mr. DUFF. That is right.

Senator MALONE. So if they lose their jobs as part of your people have, it doesn't matter how low the price is, does it?

Mr. DUFF. That will be the inevitable result, sir.

Senator MALONE. As long as people could come to Washington and get a tariff on what they sold and free trade on what they bought, which has been the position of practically everybody for a long term of years, they could stay in business, and if they had free trade on the raw material they use, to that extent they benefited, didn't they?

Mr. DUFF. They would benefit.

Senator MALONE. If it is carried through to its logical conclusion, they all fall on their face, don't they.

Mr. DUFF. That is right, sir.

Mr. MALONE. What do you say to the statement made by Mr. Taft and Mr. Hoffman here that there should be a continuing reduction of the duty, or the protection, or that difference that ends the competition between domestic standards of living and the foreign standards of living in that chief competitive nation, a reduction even below that difference, to make American producers more efficient? What, Mr. Duff, is your idea of that theory?

Mr. DUFF. Well, Senator Malone, protection is the complete answer to that. In our present industry we have all the mechanization and automatic machines that human ingenuity can devise. With regard to productivity, we have the very highest per man-hour and woman-hour. We are doing everything in the world to get a fair share of the market. During these past 7 years we have found that

we are close to the point of demise. We don't hope to last very much longer under this free-trade policy.

Mr. MALONE. Your competitors in Japan and elsewhere, at least when they put up their new plants, have the same machinery you have, don't they?

Mr. DUFF. Except in Japan, according to our reports, the chinaware, earthenware, and art-pottery industry more or less disappeared during the course of the war. Now they are very adaptable to both mechanization and to work at almost any trade. Just as much perhaps, as the Germans are. Now, since the war, earthenware and chinaware and art pottery are produced in the homes, and these people have been trained over a short period of time, so they are not using machines as we use machines, and they are producing just as good a product. Where our machines will produce thousands of pieces a day, it will take them 300 or 400 days for the family to provide the same amount, but that thousand pieces, which means nothing to our manufacturer, means a year's bread and butter to the whole family over there.

Senator MALONE. And they can do it cheaper because of the very low standard of living.

Mr. DUFF. Very.

Senator MALONE. What I meant really was in the general run of industries. Now, any mills or plants or production machinery that goes to foreign nations that American producers install there is generally the best machinery because it is the latest installation, isn't that true?

Mr. DUFF. That is true.

Senator MALONE. I have visited most of them—not most of them because that would be impossible, but I have visited them in every nation and I find that to be true. You send the best engineers in the world and economists and others to set these things up and they don't buy second-hand machinery. They buy machinery and put in assembly lines, or their superintendents and foremen, and train these workers and as far as Japan or England or Scotland or anyone of 30 or 40 other nations are concerned, those people are just as efficient as your people once they are trained.

Mr. DUFF. That is right.

Senator MALONE. And it doesn't take too long to train them.

Mr. DUFF. The Japanese working on their machines receive between one-fiftieth and one-tenth the wages our mechanics receive, per day.

Senator MALONE. Further these men said, Mr. Hoffman and Mr. Taft, that any business that couldn't survive this continuing lowering of the tariff—gradual lowering—they are good enough to confine it to the gradual lowering—probably couldn't survive anyhow and would go out of business. What do you think about that?

Mr. DUFF. I think somewhere along the line there will be a point of diminishing returns. They will survive perhaps to a certain point. But when you take into consideration the cheaper labor of those countries, I don't see how some of them can possibly survive too long.

Senator MALONE. It is like the miner gutting his mine. When he is through he has no property.

Mr. Hoffman also said the pottery makers in California are prosperous. He knew that. I didn't personally know whether they were or not. I was interested in what you said about it.

Mr. DUFF. The pottery makers in California, what remains of them, are fairly prosperous to the extent that they get 25 and 42 weeks work per year. Their wages are high. There is no question about that.

Senator MALONE. What proportion of them are there now as compared to what there were 2 or 3 years ago.

Mr. DUFF. In California in 1946 there were 6,000 in the art pottery. Today there are 2,500, but prior to the war—and we couldn't furnish you the war years but prior to the war and during 1939-40, California had reached eight or nine thousand in that and there has been a steady decline.

We venture to say that the 2,500 will be cut in half during the next 2 or 3 years.

Senator MALONE. What you have just said to this committee is that Japanese, if there is no evener in the domestic and foreign production costs, can keep any of this material that they are making there, and do it cheaper?

Mr. DUFF. That is correct and I might add this, Senator, that some of the industries appearing before this committee have suffered from 5 to 30 percent at the most. We have suffered to the extent of 86 percent.

Senator MALONE. Where are you located.

Mr. DUFF. My home is in New York but I get out to California quite frequently.

Senator MALONE. How about the pottery makers in Ohio?

Mr. DUFF. We have given, you will remember, figures of California, but the art and china industry in the remainder of the country—California is the largest—has suffered to the same extent. Perhaps a little bit more than California. Ohio has declined. Some of the few plants that were in New York State are going out of business. We have a china plant in Trenton, N. J., the Spingle Co., which makes a very high type ware. That is an extremely luxury item. As a matter of fact they guard their seconds so carefully they won't let them out and it is only the very wealthy who can afford it, you might say.

Our chinaware and pottery industry has declined because of this trade policy.

Senator MALONE. Providing you are keeping up your production and you say your producers have kept up in the best machinery and best methods and are trying to keep ahead in that regard, and your workers are efficient—when you lower this duty below that differential of the wage living standard and taxes and other considerations of doing business here and abroad, below that level of a competitive basis, is there any way to stay in business except to lower the wages or write off the investment to match it, or both?

Mr. DUFF. Of course, that is the primary purpose of our being here. The first thing that the manufacturer will do—and he will be compelled to do it, and we see the wisdom and need for it, will be to lower our wages.

Now most of our people are living on a day-to-day basis depending upon a wage of approximately what they are now receiving. You can well see the harm that will befall a segment of our industry if our wages are cut.

Now if the unions were so adamant or arbitrary as not to permit the reduction of wages then the manufacturer must go out of business.

Senator MALONE. But if they are raising families, and most all of our workingmen are, they have a standard of living so they can keep their children in the same kind of a school that most everyone else sends their children to, they buy in the same grocery stores and eat much the same kind of food as those in a higher bracket.

If they do lower their wages, what does it mean to a community? What is the answer to it? If they are so established, paying for a house and everything else, they just say "we'll take lower wages rather than to move." What does it mean in the community and the standard of living?

Mr. DUFF. I am rendering an opinion that it undermines the community. Their children can't go to college; they can't buy the same groceries that they bought before; they can't maintain an automobile; they can't pay their rent; they can't buy the clothes or the furniture and so on and as a result of that, all the lower and everybody dependent throughout the chain must suffer.

Senator MALONE. I have before now probably been a little more positive than I should have been, but I have said that this kind of an act, that takes in all these factors—and I say an international leveling of standards of living, which is exactly, in my opinion, what it means could be called a conspiracy to destroy the workingmen of America, and the small investor. The small investor can be classed as one who either on account of his size or the nature of his organization, cannot go abroad and build a plant behind a low-wage curtain and import the stuff here.

Mr. DUFF. If you are asking me to agree, I can't go along that far because I think—rather I should say I can see the reason for the argument and contentions of my opponents, but I say that our arguments are sound. We have had a long period of experience under the free-trade policy. We have had long experience under the protective tariff and I think it is time to perhaps strike a middle road.

Senator MALONE. How can you have a middle road, now? This is the thing I'd like for you to tell me. Where is the middle road between a principle of fair and reasonable competition, lowering that flexible import fee as the other nations come up in their standard of living, wages, or costs, pointing toward the final objective of free trade, and this 1934 Trade Agreements policy? That policy is a meshing of the different economic factors here in the judgment of one man or a group of men, and international political considerations—just how would you modify the principle?

Mr. DUFF. When I speak of the high tariff, I am speaking of the barrier tariff.

Senator MALONE. Do you know of any?

Mr. DUFF. I am talking of the exclusionary tariff, of old.

Senator MALONE. What were they? I am as old as you are.

Mr. DUFF. I think history reveals that there were many exclusionary tariffs.

Senator MALONE. Have you studied it?

Mr. DUFF. Yes; and I think as time went on, as they lowered the rates, it didn't harm our industry or our country a bit.

Now, I feel this way: The American manufacturer is ready to meet competition. We are not—

Senator MALONE. Let me say to you, in 1912 rates that were fixed under the bill worked all right, until the war came along, but when the war came along you had to have an act of Congress to adjust the rates to a fair and reasonable basis, didn't you?

Mr. DUFF. Yes.

Senator MALONE. Now, in 1930, when you changed some principles of the act and you put in or emphasized a flexible duty, or tariff, if a tariff was too high, they had orders from Congress that they could bring it up at any time and adjust it up or down, did they not, on that fair and reasonable basis?

Mr. DUFF. Yes, sir.

Senator MALONE. Now, how would you change the orders to a tariff commission to do that and keep it in adjustment, in order to bring about this middle-of-the-road thing that you are talking about?

Mr. DUFF. You take under our present system. If the Tariff Commission attempts to make adjustment it is only a recommendation by which the President need not abide. And he has other overriding considerations—foreign welfare and foreign entanglements and foreign policy.

Senator MALONE. Are you in favor of that?

Mr. DUFF. No, I am not, sir.

I feel as though Congress and the Senate are just as responsive to the welfare and to the will of the American people as the executive branch of the Government.

Senator MALONE. It could be they are a little more responsive because I represent every precinct in Nevada. My good friend from Oklahoma represents every precinct in Oklahoma and over in the House they have Congressmen who represent every precinct in Nevada and Oklahoma. Is that true?

Mr. DUFF. That is true, sir.

Senator MALONE. We know perhaps more about it than a State Department that mostly is interested in a group that confines its interests to international affairs.

Mr. DUFF. I agree.

Senator MALONE. When you give this power to a State Department that is trading a part of the jobs and a part of the investments of this country to buy some agreement in international affairs, are you not violating the spirit of the Constitution of the United States?

Mr. DUFF. I think you are violating the spirit of the form of government that we have and of the Constitution, yes, sir.

Senator MALONE. I agree with you. You have to be for one principle or the other, fair and reasonable competition, and adjust that to the best of human ability, or you have to be for a group of men, or one man to use his own judgment as to what is best for the world. You have to be one way or the other, don't you?

Mr. DUFF. That's right, and I favor the congressional form.

Senator MALONE. You favor the fair and reasonable competitive basis. I think that is very clear.

I do not see how a working man can say anything else, do you? For his job goes first.

Mr. DUFF. That is our first concern, Senator.

Senator MALONE. How, then, can a workingman be for the 1934 Trade Agreements Act. I can see how people who have plenty of

money for investments abroad, or who are brokers and get an override on imports or exports coming through a port, where he makes his money no matter what happens, until the whole thing is destroyed, can favor it. I think it is shortsighted at that, but I can see a man whose interests are abroad can temporarily be for this 1934 Trade Agreements Act. But how can a workingman who is utterly destroyed, if he has a home or he has children or anything at all, when his job is gone?

Mr. DUFF. Well, let me say implied in your question, you attempt to solicit from me or elicit from me some criticism, perhaps, of the stand of the American Federation of Labor. I am not inclined to criticize their position, but from our position, we feel that the primary concern of the individual—selfishly, under national law, or for any motive, is his own welfare.

Now, I think this: I think his own welfare is subject, of course, to the security and welfare of the Nation.

Senator MALONE. Well, you can take your children and put them in the Army and all that sort of thing and we think that, too, but we also, some of us, believe that the way to build a strong economic structure here is on principle. So that someone can go to you and say, "Now, according to the engineers and economists and all these factors, I want to sell you \$2 worth of stock in this thing and there is a chance to get your money back and make some money, because all we have to worry about is domestic competition. The Congress of the United States has given orders on a principle to the Tariff Commission to even the foreign competition with the domestic, so we don't care what they can do in Rumania, all we have to do is watch the entire area in the United States and if we can compete with them we can make some money."

Isn't that the way you get people to go into business?

Mr. DUFF. Oh, yes.

Senator MALONE. How can you do it otherwise?

Mr. DUFF. You don't do it otherwise.

Senator MALONE. So, I say to you—I am not trying to criticize the A. F. of L. or any other, but I have criticized a man by the name of Reuther who comes out for free trade, because I think he will be riding in an automobile of a foreign make down the middle of the street in Detroit one of these days, waving to his unemployed workers on the sidewalk. I think that is what will happen to him, just like if you had free trade in the crockery business. A foreman or a head of your union—he can set up there and maybe he will have money enough to buy something to ride in, but he will be talking to people who are not working, won't he?

Mr. DUFF. Except these subject to the whims of the electorate, Senator, like you and I are.

Senator MALONE. A man who owns a plant can get out sometimes with enough money to invest in something else and a man who is the head of a great union sometimes can do something else if something is destroyed. A man down there working with his hands doesn't have any other out, does he?

Mr. DUFF. That's right, sir, and that is one of the reasons we come here. Our people have devoted many years to laboring in this industry—china and dinnerware. Once they go out of work, they can't qualify for employment in other plants. Some of them have 30 or 40 years of seniority. They are through.

Senator MALONE. Of course you and I know that. We have worked with our hands and we know when you put in 10 or 15 years in one industry and you learn it and you know how to make something, that you haven't time to go out and train yourself in some entirely new field. With your children in school and a family to support, you haven't time to be an apprentice for 3 or 4 years some place else, have you?

Mr. DUFF. No, sir.

Senator MALONE. Then the State Department has advanced the theory for several years that Congress appropriate money to move you fellows from one area to another and train you for another job. It seems to me that is the way they do it in Russia, isn't it?

Mr. DUFF. I think that is what they criticized the previous administration for, for creeping socialism, and I see it is a continuing thing.

Senator MALONE. It continues to creep. It may be reaching a gallop, here, if this thing goes over for 3 years.

Now, do you see any difference—and I have paid considerable attention to this question—in free trade or lowering these duties below the differential between the wage standard of living here and abroad—do you see any difference in the importation of the cheap labor goods and the importation of the cheap labor, itself, in the long run, thinking it through?

Mr. DUFF. I don't fathom the part of your question concerning the importation of cheap labor.

Senator MALONE. In other words, you are bringing in crockery produced by cheap labor.

Mr. DUFF. Yes.

Senator MALONE. Do you see any difference between that and bringing in the labor itself that makes that crockery elsewhere, and let them make it here if you are going to let the products come in freely? What is the difference?

Mr. DUFF. Once they reach here they are not cheap labor anymore, they get the American standard of labor price, but I think I see your point that it should open the doors to the cheap labor making it on the other side.

Senator MALONE. What difference does it make whether it is done in Japan, except the cheap water transportation or whether it would be done in California, moving the workers over there.

What is the difference?

Mr. DUFF. Well, we wouldn't have to move them over, Senator Malone, if we just permit this to continue. Our American workers will be the cheap labor.

Senator MALONE. Then you agree with me. In the final result there is no difference.

Mr. DUFF. That is right.

Senator MALONE. If you had one State located in the middle of this Union that could maintain 19 cents an hour labor—let us assume that people would do it. And, all the other States had the \$2 labor or \$1.50 labor, what would be the difference except for cheap water transportation, and having them located in a foreign nation?

Mr. DUFF. You have that very situation right now. You have that with Puerto Rico. More and more industries are moving to Puerto Rico and what happens? You take our industry: They have established a 40-cent rate for our industry in Puerto Rico. Several plants

are opening up. People down there are making 40 cents and getting hard cash for the first time in their lives. As soon as they save a few dollars they come to America. That is one of the reasons New York has quite an influx of the inhabitants of Puerto Rico and will continue to have more. And strangely, they feel perfectly satisfied if they can get 50 cents an hour, here, and they are beginning to undercut our wage right now and they are right here in the middle of America.

Senator MALONE. There is no difference. All these other nations are put in the same category, that they can bring the cheap labor stuff in here—one is just about as bad as the other, isn't it?

Mr. DUFF. It is just about the same.

Senator MALONE. I have made that statement a lot of times, and I really believe it.

Have you ever studied the effect of these extraneous organizations like GATT, they spell it with two t's, General Agreement on Tariffs and Trade—I think it should be spelled with one "t" and we would understand it better, but do you understand how it fits into this picture?

Mr. DUFF. I haven't given it any study. As advisory bodies, I might not make objection, but where they will influence the domestic economic policy of the country, I would certainly—personally I would be opposed to the influence they might exert.

Now, I am a constitutionalist, basically. I think that the Government should be run in the manner the Constitution provides.

Senator MALONE. In my opinion there ought to be 500 of you clamoring to go before this committee instead of 3 or 4, because you might not be hurt so bad if that were the case. But, if we do not extend this act—this is well understood—then the General Agreement on Tariffs and Trade of Geneva, which contains 30 or 40 nations who sit there with our markets in the pot, in a sucker poker game, dividing them up between the nations of the world can no longer function. If we do extend it, they can function. They say they are going to bring the General Agreement on Tariffs and Trade before this Congress. I do not believe it. I agree with what Mr. Taft said that we have already authorized the General Agreement on Tariffs and Trade, and if we pass this act we have done just that. They will go ahead and operate, and the result of their multilateral trade agreements and other agreements will be adhered to as they have been in the past, and there is no way, except by direct act of Congress, that we can get them out of business if we extend the act. If we don't extend it, everything goes back to the Tariff Commission on the basis of fair and reasonable competition.

Then the trade agreements made already are subject to the President himself canceling, if he cares to, and that would be by a direct communication with the country with which these trade agreements would be made. You understand, then, they are canceled in a certain number of months, whatever the trade agreement contains. Then they go back to the Tariff Commission on that same basis. But their first step to get a workingman back with his place in the sun with equal access to his own markets is to let this act expire; isn't it?

Mr. DUFF. We are taking the extreme position because we see no hope or remedy in any compromise.

Senator MALONE. Thank you.

Mr. Chairman, that's all I have to ask him, and I hope more men like him come before this committee and let themselves be known.
Mr. KERR. Mr. Barnard Townsend.

STATEMENT OF BARNARD TOWNSEND, VICE PRESIDENT FOR FINANCE AND TREASURER, MOHAWK CARPETS, IN BEHALF OF HERBERT L. SHUTTLEWORTH II, PRESIDENT

Mr. TOWNSEND. My name is Barnard Townsend. I am vice president for finance and treasurer, Mohawk Carpet Mills, Amsterdam, N. Y., and I am appearing before your committee today in the place of Herbert L. Shuttleworth II, president, Mohawk Carpet Mills.

Mr. Chairman and members of the committee, I appear before you today as a representative of the Carpet Institute, Inc., the trade association of the American carpet industry. This industry directly employs over 30,000 men and women, and indirectly furnishes employment to additional thousands in the chemical, fiber, machinery, and other allied industries.

In testimony before the Committee on Ways and Means of the House, Mr. Steele Winterer, president of A. & M. Karagheusian, presented the broad aspects of the effect which the legislation proposed in H. R. 1 would have upon our industry. I understand the material presented to the Ways and Means Committee will be available to your committee, and I will, therefore, not attempt to cover the same material.

In order to conserve your time, and yet present the very real danger facing our industry through this legislation, I would like to call your attention to three significant points.

The first is the unmistakable and clear-cut relationship between the lowering of tariffs on carpets and rugs under the reciprocal trade program, and the alarming rate at which the increase of importation of carpets, at prices our industry cannot meet, has increased.

Secondly, I would like to discuss with you briefly the competitive conditions which make it impossible for our industry to meet the prices of the foreign manufacturers.

Finally, I wish to recommend for your respectful consideration certain safeguards against the further lowering of tariff rates—reductions which if made could seriously threaten the very existence of our industry.

Prior to the enactment of the reciprocal trade program the duty on machine-made carpets was 60 percent ad valorem. This rate has been progressively cut. It was first reduced to 40 percent, then to 30 percent, and still later to 25 percent ad valorem, which is the present rate.

Prior to World War II the rate of carpet imports in relation to domestic production was approximately one-half of 1 percent. In 1945 the duty was cut to 40 percent. Despite the fact that European producers were just beginning to resume production following war conditions, imports had risen to 1.8 percent of domestic production by 1948. At this time the duty was lowered to 30 percent ad valorem, and by 1951 imports represented a total of 3.5 percent of our production.

In 1951 the duty was lowered to 25 percent. By 1952 the rate of imports rose to 4.2 percent in relation to our domestic production;

in 1953 it climbed to 5 percent, and in 1954 represented 5.4 percent of production.

These figures apply to all types of machine-made rugs and carpets. It so happens that the Wilton construction accounts for a substantial part of the output of our industry. Its association with quality has given it wide acceptance by the public. When we consider the Wilton weave alone, the situation on imports is even more acute than that described above. The rate of Wilton imports to our production has grown from 1.6 percent in 1946 to almost 11 percent in 1954. I am sorry to say that indications during the early part of this year leads us to conclude that the rate will increase even more. For Wilton, too, each successive reduction in the tariffs has brought about a pronounced increase in the rate of imports. Wilton imports, in relation to domestic production, rose from 1.6 percent in 1946 to 5.8 percent in 1948, then to 6.6 percent by 1951; and since 1951, when the tariff was reduced to 25 percent, they have increased sharply to 10.7 percent in 1954.

I have taken the liberty of having these facts visualized for you as part of this brief in order to make clear the immediate and seriously detrimental effect that further reduction in the tariff rates will have upon our industry.

(The information referred to appears on p. 1812.)

The chart which follows page 3 refers to machine-made carpet imports in relation to domestic production under the reciprocal trade program. The chart on the left includes all machine-made carpet imports and on the right, the Wilton carpets.

Senator KERR. I wonder if you would explain the difference.

Mr. TOWNSEND. Wilton is a weave construction, Senator.

Senator KERR. It is machine-made, isn't it

Mr. TOWNSEND. Yes, sir; on the loom. The earliest machine-made carpet was made on Axminster looms about 125 years ago. The Wilton loom was developed 25 or 30 years later and was subsequently improved by the use of the jacquard mechanism.

Senator KERR. In other words, it is the name of a carpet that is made with the so-called Wilton weave?

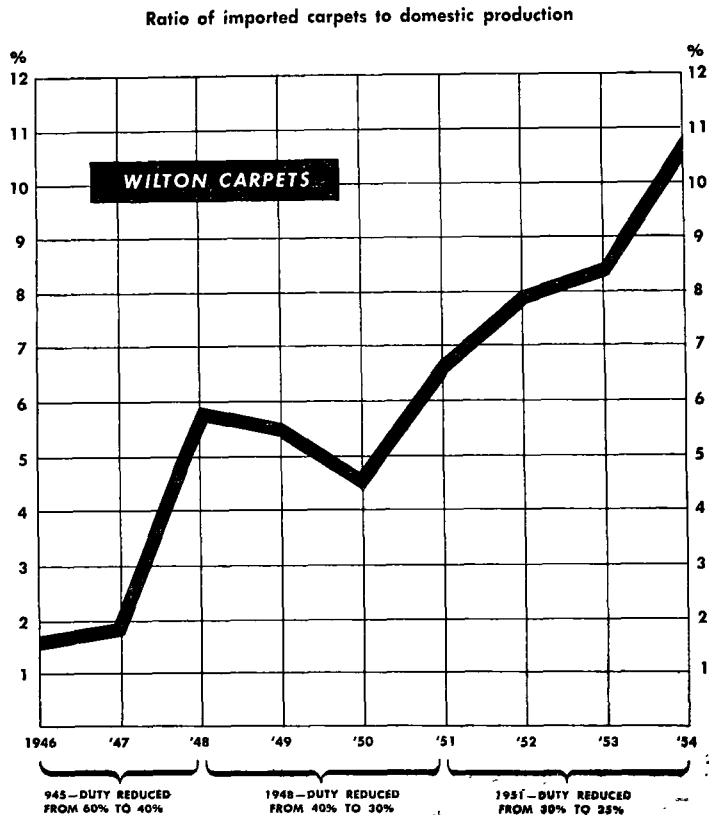
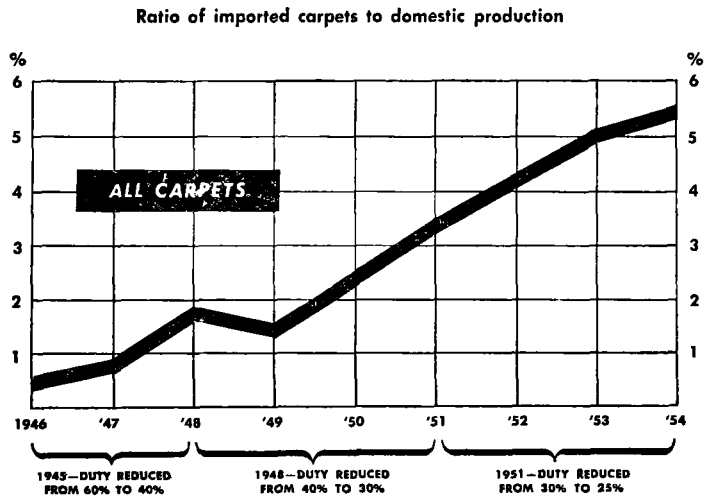
Mr. TOWNSEND. Yes, sir.

Senator KERR. Thank you.

Mr. TOWNSEND. These figures show clearly that if imports continue to increase at the current rate, they will soon reach such proportions as to seriously reduce our production, employment, and earnings. Every square yard of woven carpet imported into this country equals 1 hour's work for an American workman. In the year 1954 approximately 3 million man-hours of work was lost to our employees. Gentlemen, this amounts to 2 weeks' work, or 2 weeks' pay, for each employee in our industry. If tariff duties are further reduced, it is reasonable to believe that we will experience a rapid increase in the volume of imported carpets, which could lead to a completely chaotic state in our industry.

A very significant factor contributing to the rapid rise of imports has been the increased hourly earnings of our industry's employees. In 1946 the average wage per hour in our industry was \$1. In 1954 it was \$1.74. This is an increase of 74 percent. These increased earnings mean that the employees of our industry have been able

MACHINE-MADE CARPET IMPORTS IN RELATION TO DOMESTIC PRODUCTION UNDER THE RECIPROCAL TRADE PROGRAM



to enjoy more of the things the American economy can offer them, but to us, these increased earnings are increased costs which we have been able only in part to reflect in the selling price of our carpets.

Today the wage rates in Belgium, which is the principal source of machine-made carpet imports, is 48 cents per hour. The wage differential between us and Belgium is, therefore, \$1.26 per hour. It is impossible for our industry to compete pricewise on products made under similar manufacturing conditions with such a tremendous wage differential in their favor, and this accounts, to a considerable extent, for the rapid rise in the amount of carpets imported.

Senator KERR. In other words, you would say in the cost of your product, there is a \$1.26 a yard differential in labor cost?

Mr. TOWNSEND. Yes. While our costs have steadily increased since 1946, tariff rates have decreased during the same period, and thus have constantly broadened the gap between the selling price of foreign produced and domestic carpets. This has brought about reduced production and resulting unemployment, which has been keenly felt by our industry, particularly since the majority of our companies are located in small cities, where the entire economic structure of the community has been affected. Typical of such communities are Freehold, N. J.; Amsterdam, N. Y.; Glasgow, Va.; Bloomsburg, Pa.; and Framingham, Mass.

As an industry, we are very proud of the high degree of technological advancement and modernization we have accomplished. Since the end of World War II over \$300 million has been spent by our industry in plant modernization, new equipment, fiber research, and new products development. However, despite these efforts and expenditures we enjoy no technical advantage over European competition. Those European industries which are competing with us have modern equipment and technical know-how to equal our own. Ironically, a great deal of their modernization has come about through the foreign aid programs of our Government. You can readily see that carpet produced on equipment as efficient as our own, under the supervision of equally skilled technicians, by workers who earn less than one-third of our employees, places us in a hopeless position competitively.

Another element of competitive advantage that European producers have is in purchasing wool. Since wools which come from low-bred sheep and are of a coarse, wiry nature, are of a better nature for floor coverings, the carpet industry cannot use any domestically produced wools, and must, therefore, obtain them all from foreign sources. Incidentally, we import each year over \$100 million worth of wool from such countries as the Argentine, India, Iraq, Syria, Pakistan, and others.

Senator KERR. Australia?

Mr. TOWNSEND. We do not use any Australian wool, Senator. It is too fine wool and not suitable for carpets.

We look upon this as an important contribution to the dollar balances of those countries, and, to the extent that our domestic production is lowered due to import competition, these dollars will be lost to those countries.

Currently, European producers have two distinct advantages over our industry in the matter of wool purchasing. The first is that

certain grades of wool highly desirable for carpet manufacture which are denied us on a duty-free basis under current tariff regulations, are available to our foreign competitors. Secondly, certain European countries, as you know, are trading in nonstrategic materials with Communist-dominated countries. China, now Red China, traditionally was our major source of carpet wool. Our industry's purchases from China in the past has reached as high as 47 percent of our total requirements in 1 year. China wools, Tibetan wools, and wools originating in other Red-dominated areas, are no longer available to us, but are available to our foreign competition.

Still another competitive cost disadvantage is that of styling. Styling and the development of new products is a major cost item for the producers in our industry. A new style costs thousands of dollars to develop, and ordinarily only about 1 out of 10 new styles developed is accepted by the public.

Unfortunately for us, our foreign competitors have copied those designs which we have made successful, and thus have escaped the developmental expense which is an inescapable cost in our operation.

With your permission, I would like to show you a sample of a Wilton carpet made by our company.

This is a copy which has been made in Belgium. As you will see, if you examine those, to all except the experts, they appear very similar.

Senator MALONE. Is there any difference in their durability?

Mr. TOWNSEND. They are approximately the same. However, we believe that a large part of the foreign imports which are delivered to this country do not measure up to the samples that are supplied to distributors in this country.

Senator MALONE. How much can they undersell the price that you are forced to get for reasonable profit and pay your wages?

Mr. TOWNSEND. With your permission, Senator, I would like to show you an advertisement which appeared, showing a domestic carpet. This happens to retail at \$13.95 a yard.

Here is an advertisement which recently appeared in a Chicago newspaper, of a well-known retailer.

Senator MALONE. This is your carpet?

Mr. TOWNSEND (continuing). Alleged to be the same product from a famous carpet mill, although it doesn't say the famous carpet mill is not an American mill. Nothing in the advertisement indicates it is an import. At \$8.99 a yard.

Senator MALONE. As against \$13.95 for your carpet.

Mr. TOWNSEND. Yes. Now, I have just mentioned the question of developing markets. None of these foreign manufacturers pay for double-space in Life magazine to develop the American market.

Senator MALONE. This is your advertisement?

Mr. TOWNSEND. Yes, sir.

This is the domestic product which we make and this is the imitation in Belgium at \$8.99. These are the specific examples referred to in those advertisements.

In view of the effect the reciprocal-trade program has had upon our industry to date; the even more alarming potential danger in the ever-increasing amount of foreign-made carpets with which we will apparently be faced if further tariff cuts are authorized; and

in view of the competitive conditions which we have attempted to describe to you today, we would like to voice our opposition to H. R. 1 in its present form.

We believe it only fair that our industry, and industries similarly affected, should have sufficient protection to at least partially offset the wide differential that exists between the wages of our employees and the wages of foreign workers.

We strongly oppose any further reduction in our tariff rates, the effect of which would further endanger the welfare of our employees and our industry.

We recommend that this bill be amended to empower the Tariff Commission to determine the fair level of protection for industries already seriously affected by low tariff rates; and to make the recommendations of the Tariff Commission mandatory upon the Executive, except in those cases where national security may be directly affected. (The table referred to follows:)

United States woven carpet production and machine-made carpet imports

[Thousands of square yards]

ALL WEAVES

	Domestic production	Machine-made imports	Ratio of imports to production	Rates of duty in effect
1935-39 average.....	51,603	304	0.6	60-percent rate in effect prior to 1945.
1946.....	52,004	262	.5	1945 rate reduced to 40 percent, ad valorem.
1947.....	71,246	492	.7	
1948.....	89,642	1,609	1.8	1948 rate reduced to 30 percent, ad valorem.
1949.....	72,724	1,098	1.5	
1950.....	85,741	2,036	2.4	
1951.....	60,641	2,086	3.4	1951 rate reduced to 25 percent, ad valorem.
1952.....	62,088	2,604	4.2	
1953.....	66,837	3,322	5.0	
1954.....	55,315	2,993	5.4	

WILTON CARPETS

1946.....	8,573	135	1.6	60-percent rate in effect prior to 1945, 1945 rate reduced to 40 percent, ad valorem.
1947.....	12,128	221	1.8	
1948.....	15,308	889	5.8	1948 rate reduced to 30 percent, ad valorem.
1949.....	13,871	759	5.5	
1950.....	17,081	772	4.5	
1951.....	11,478	754	6.6	1951 rate reduced to 25 percent, ad valorem
1952.....	14,784	1,172	7.9	
1953.....	15,612	1,308	8.4	
1954.....	14,162	1,520	10.7	

Source: Carpet Institute, Inc., and United States Department of Commerce.

Mr. TOWNSEND. Thank you.

Senator KERR. Thank you, Mr. Townsend, for your appearance and your statement.

Any questions, Senator Millikin?

Senator MILLIKIN. No, thank you.

Senator KERR. Senator Malone.

Senator MALONE. Do you represent the 30,000 men and women who work for these industries?

Mr. TOWNSEND. Before this committee, yes, sir.

Senator MALONE. You are an official in the association, though, of these manufacturers?

Mr. TOWNSEND. No, sir, I am vice president of Finance and Treasurer of the Mohawk Carpet Mills.

Senator MALONE. You do represent both the manufacturers and the employees?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. All you want is a basis of fair and reasonable competition, to have equal access to your own market, and no particular advantage in the American market?

Mr. TOWNSEND. That is right.

Senator MALONE. Do you understand that that is exactly what the 1930 tariff act describes "fair and reasonable competition"?

Mr. TOWNSEND. As we understand it that is exactly what it describes.

Senator MALONE. And there is no other criterion upon which they can work except a fair and reasonable basis and recommend the difference in the duty and that duty can be lowered as the standards of living gets closer together?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. That is what you want?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. You understand the 1934 Trade Agreements Act does take in other factors and leaves it to the judgment of an administrative branch of the Government—namely, the President, of course, so that they can take in the international relations, and what they themselves consider to be the best interests of the country?

Mr. TOWNSEND. Yes.

Senator MALONE. You don't believe that Congress should allow any group of men upon their own judgment to determine the duty, or the differential between the competitive nation and your domestic costs?

Mr. TOWNSEND. No, sir. We believe that belongs in the Tariff Commission under the supervision of the United States Congress.

Senator MALONE. The Congress, of course, is named in the Constitution of the United States, as the branch of government that shall set the duties and regulate foreign commerce. Of course, I myself hold to that theory that it not only is probably illegal but that, if it is legal it is wrong, to designate this authority to the Executive, in contravention of the Constitution of the United States.

Do you hear any talk among your employees of dividing their jobs with the foreign nations to raise the standard of living of all the nations of the world, to the betterment of workers abroad, without regard to their own standard of living?

Mr. TOWNSEND. With your permission, Senator, I would like to correct an impression that was created by Mr. Taft this morning. It seemed to me listening carefully that some of his remarks were irrelevant with respect to the questions you put to him, and he volunteered to comment about Amsterdam, N. Y., and the carpet industry—16,000 workers in Amsterdam have signed a petition to Senator Lehman with respect to H. R. 1.

Senator MALONE. They are against it?

Mr. TOWNSEND. Yes, sir. None of those people to my knowledge have expressed an interest in raising the standards of living throughout the world at the expense of their own survival.

Senator MALONE. Of course, Mr. Townsend, after 35 years of watching the American economy and 20 years of it under the Trade Agreements Act, most of my conclusions are at great variance with Mr. Taft's conclusions as you probably gathered from the questioning.

However, I did not try to curtail his observations because they are his observations and they are in the record and I, of course, did not agree with them. It is simply amazing to me to hear anyone say that a workingman can have, for the protection of his job, less than that differential between the fair cost of the article he is working on in the chief competitive nation and the American market. It is just almost impossible for me to believe the workingman can advocate that sort of thing. As a matter of fact, in the long run my own concern is with 2½ billion people and we have 160 million. If we divided all the markets with the 2½ billion we wouldn't raise their standard of living any more than raising the level of the city reservoir by pouring a glass of water in it. It is just about the same thing. To me it is utterly idiotic to talk about it but there are people talking about it and they have prevailed for 21 years. So it makes it necessary to ask questions to make the record, which shouldn't be necessary. Of course, his remarks and those of Mr. Hoffman, that in order to make domestic producers more efficient there should be a continual lowering of tariff rates also makes no sense to me. Does it to you?

Mr. TOWNSEND. No, sir. The competition in our business is very keen.

Senator MALONE. Of course it is.

Mr. TOWNSEND. The most important person in our business is the consumer, and the consumer will always force us to use to the maximum extent our ingenuity to increase the productivity, efficiency, and to supply the best possible quality at the lowest possible price to the largest number of people.

Senator MALONE. Is that not the reason we have antitrust laws to force not only your industry to be competitive, but every industry in the United States, and if they are properly enforced, they do actually prevent collusion to raise prices, don't they?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. Then, can there be any other conclusion drawn from any statement that would force continuing lowering of the tariffs below that differential, than that you want to force a lower standard of living? Can there be any other conclusion, since you either have to lower the wages or write off the investment, or both, to meet the lower price, or go out of business, don't you?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. Can there be any other conclusion, that these men who are interested in foreign imports—most of them are—Mr. Taft represents an outfit—and by the way—well, it is in the record, a list, and practically all of them are interested in one way or another in foreign investment.

Mr. Chairman, I have a list here, carefully compiled, of the connections of the board of directors of this organization and for the information of the committee I ask permission to make it a matter of record and to have it appear at that point in the record where the question of the Committee for National Trade Policy was discussed this morning.

Senator KERR. Without objection it will be made a part of the record.

Senator MALONE. Mr. Reporter, I ask that you return this to me at my office.

(The document referred to follows:)

THE COMMITTEE FOR A NATIONAL TRADE POLICY

The committee was incorporated in the State of New York in 1953. Its purposes were indicated as education and research. So far as is known, neither its corporate charter nor its internal revenue opinion mention lobbying or influencing the passage or defeat of legislation (Legislative Reorganization Act of 1946).

As of September 27, 1954, its officers and directors were indicated as—

John S. Coleman, chairman
 James S. Schramm, executive vice chairman
 Charles P. Taft, president
 George W. Ball, Washington, D. C.
 William L. Batt, Philadelphia, Pa.
 George L. Bell, Washington, D. C.
 Harry A. Bullis, Minneapolis, Minn., vice chairman
 John F. Fennelly, Chicago, Ill.
 Edward Littlejohn, Detroit, Mich.
 Thomas B. McCabe, Chester, Pa.
 John J. McCloy, New York, N. Y.
 Charles H. Percy, Chicago, Ill., vice chairman
 Morris S. Rosenthal, New York, N. Y.
 Ralph I. Straus, New York, N. Y., vice chairman and treasurer
 J. D. Zellerbach, San Francisco, Calif.

More recently, four additional directors have been named; they are—

John A. McCone, San Marino, Calif.
 B. E. Richmond, San Jose, Calif.
 Russell G. Smith, San Francisco, Calif.
 Brayton Wilbur, San Francisco, Calif.

At approximately the same date, the officers and directors were listed in a booklet entitled "Expand U. S. Trade With the Free World." The list in this booklet failed to include the name of George W. Ball, who had formerly been secretary, and William L. Batt was designated therein as secretary. This may be significant in that Mr. Ball's law firm has been, and may still be, actively registered as a paid Venezuelan agent or agency. This is the same firm for which Charles P. Taft, president of the committee, was once registered in a correspondent relationship as a paid Venezuelan agent—a situation which is understood to have been terminated. Technically, the registration was in the name of the Venezuelan Chamber of Commerce, but since Venezuela is a military dictatorship, to argue that the chamber is not a foreign governmental instrumentality is to equivocate—a fact recognized by Messrs. Ball and Taft when they did register as agents.

It is not known if the committee operates through an executive committee as is possible under the laws of New York.

The chairman has described the membership as follows:

"Included among its approximately 800 members are such men as L. L. Colbert, Detroit; Thomas J. Watson, Jr., and Henry Luce, New York; Gardner Cowles, Jr., Des Moines; Joseph P. Spang, Jr., Boston; H. J. Heinz II, Pittsburgh; Justin W. Dart and Jesse W. Tapp, Los Angeles; Stanley Marcus, Dallas, Walter Rimson, Phoenix; and Brayton Wilbur, San Francisco, just to mention a few."

A partial membership list as of approximately a year ago (and perhaps no longer fully accurate) is attached as exhibit I hereto.

In its official publication, A Statement of Purpose, the committee states: "Trade policy is a matter of selfinterest * * *"

Brief analyses of the business relationships of certain of the officers and directors follows:

1. *John S. Coleman, chairman.*—Mr. Coleman is president of the Burroughs Corp., Detroit, Mich. This company manufactures adding machines and other business equipment in five locations in the United States and in the following foreign countries: Canada, 2 plants and 1 plant site; England, 1 plant; Brazil, 2 plants; France, 1 plant.

Marketing corporations exist in 20 countries. The corporate net profit in 1953 was \$7,206,655 on sales of \$162,035,781, of which over \$2,068,978 represented dividends from foreign subsidiaries, or approximately \$2,700,000 if taken before a loss of \$608,143 was sustained in remitting dividends from Brazil. This figure of \$2,700,000 foreign profit does not include the company's Canadian business, the profit from which is lumped in with the United States profit. Hence, even without including the nonsegregated Canadian profits, 37.5 percent of the company's earnings are coming from abroad. The investment in countries other than the United States and Canada is listed as approximately \$8.5 million of a total corporate equity of some \$70 million. Foreign contingent liabilities additionally are listed as \$1,093,000, making the investors' foreign exposure around \$9,600,000. (Accounting data is spelled out more fully in the annual report, audited by Price Waterhouse & Co.).

The company appears to have closed down one plant in this country and moved the production and jobs to Scotland.

The tax advantages to Burroughs of the president's proposals cannot be estimated from the data which the company publishes. With such a heavy foreign investment, it might be substantial. Nor is the extent known to which Burroughs ships foreign-made equipment or parts to United States or other markets.

2. *James S. Schramm, executive vice president.*—Mr. Schramm is a department store merchant of Burlington, Iowa. He has been variously listed as former finance chairman and former national committeeman of the Iowa Republican Party. His wife is active in the League of Women Voters. It has been stated that he serves without compensation. If he has any foreign business interests, they are unknown. He was active in preparing the study of the First District of Iowa which has been criticized as "biased."

3. *Charles P. Taft, president.*—Mr. Taft is a well-known Cincinnati lawyer of the firm of Headley, Sibbald, and Taft. The clients of this firm are not publicly known. The general orientation of Cincinnati business firms is not known but two of them are believed to be companies heavily interested in the foreign trade problem. Thomas Headley, the British subsidiary of Proctor & Gamble, dominates the British detergent market in that country; and the Gruen Watch Co. is a part of the Swiss watch cartel. It is not known if these two companies are or have been clients of Mr. Taft's firm but he has mentioned them in press statements as being interested in his current endeavor. His salary as president of the committee, if any, is unknown. It is believed that his registration as a Venezuelan agent is the first instance in which the son of a former president has taken money for such purposes.

4. *William L. Batt, secretary.*—Mr. Batt now appears to have retired from active business life. He was for many years president of S-K-F Industries the American subsidiary of a Swedish concern. He draws a pension from that company.

5. *Charles H. Percy, vice chairman.*—Mr. Percy is president of Bell & Howell Co., of Chicago, Ill. Burroughs Corp. is the selling agent for Bell & Howell microfilm equipment. This rather small photographic equipment company is placing heavy emphasis on foreign sales. British Accoustic Films, Ltd. was formerly a Bell & Howell subsidiary and manufactures Bell & Howell equipment there and handles sterling sales. Bell & Howell Co. is also active in Brazil and elsewhere. Its products are protected by United States tariffs of 15, 20, and 25 percent.

6. *Harry A. Bullis, vice chairman.*—Mr. Bullis is chairman of General Mills Inc., of Minneapolis, Minn. Fifty percent of the sales of General Mills are flour which is virtually embargoed by the United States quotas of only 4 million pounds per annum; and 17 percent consists of formula feeds which are also protected under laws relating to agricultural products. Mr. Bullis has not publicly stated his views on free trade in flour and formula feeds. Sales for the year ending May 31, 1954, were \$487,587,179 and profits \$11,188,853. Were Canadian or other foreign flour let in freely, it is hard to see how a profit would have been realized. On December 30, 1953, the company announced plans to build a Canadian plant on a 56-acre site near Toronto. This seems to be its first foreign enterprise.

7. *Ralph I. Straus, vice chairman and treasurer.*—Mr. Straus is one of the family which has long controlled R. H. Macy & Co., the largest department store in New York. It sells many imported items.

8. *Edward Littlejohn, director.*—Mr. Littlejohn is an employee, but not an officer, of Burroughs Corp.

9. *John J. McCloy, director.*—Mr. McCloy is chairman of the Chase National Bank of the City of New York. This bank is one of the two largest international banking companies in the United States (it and the National City Bank). Its foreign securities as of December 31, 1954, are only shown at approximately \$51 million but this figure does not include short-term foreign credit which probably runs into hundreds of millions. Its 1954 report states: "During the year the Department (Foreign) continued to extend a large volume of credit abroad." The bank has 17 branches and 5 representatives in 11 foreign countries and 8 offices in Western Germany for military personnel. It is now jointly with the Export-Import Bank reported as organizing an American Overseas Finance Corporation. It has long been interested in Brazil, a country which has received \$375 million of Export-Import Bank loans to ease its dollar shortage. (N. B. There is no N. S. Tariff on coffee, its principal export to the U. S.).

10. *Thomas B. McCabe, director.*—Mr. McCabe is president of Scott Paper Co. The company makes tissues, paper towels, etc. The extent to which this company's products are protected is not known. Its foreign commitments are not particularly substantial. They are set forth in the next paragraph.

In April 1927, it acquired the entire capital stock of Nova Scotia Pulp & Paper Co., Ltd. But no longer reports owning it. Its subsidiaries in 1954 include Northern Development Co., Vancouver, B. C.; and Driftwood Lands & Timber, Ltd., Sault Ste. Marie, Ontario, in which it owns 100 percent of the stock. It also owns Elk River Timber Co. Ltd. of British Columbia (66.67 percent of stock) and Owikeno Lake Timber Co., Ltd., British Columbia (50 percent of capital stock; other 50 percent by Crown-Zellerbach).

11. *James D. Zellerbach, director.*—Mr. Zellerbach is president of Crown-Zellerbach of San Francisco. It has at least \$4 million invested in Canada and appears to have been investing very heavily in that country in recent years. Its most important products do not seem to be protected, but some are. Data on its foreign holdings indicate that it paid Canadian income taxes of \$3,202,000 in 1953. In 1928, it acquired all common stock of Crown Willamette Paper Co., and changed its name to Crown-Zellerbach Corp. Crown Willamette had acquired a controlling interest in the capital stock of Pacific Mills Ltd., of British Columbia. In 1946, Pacific Mills, Ltd. (now Crown-Zellerbach Canada Ltd., B. C. (C-Z holding 95 percent of stock) acquired 100 percent control of Northern Pulpwood, Ltd. (B. C.) and Badwater Towing Co., Ltd. (B. C.). In 1950, Pacific Mills, Ltd., invested \$4 million in Elk Falls Co., Ltd., B. C., representing 50 percent of the common stock of that company.

In 1950 the company acquired a 50-percent interest in Owikeno Lake Timber Co., Ltd., owning timber licenses in British Columbia (Scott Paper Co. owns other 50 percent). In 1953 it acquired 96 percent of stock of Canadian Western Lumber Co., Ltd., British Columbia. Subsidiaries include C. Z. Overseas Corp. (California), exporters of paper and pulp; International Pulpwood Supply Co., Ltd., British Columbia; Hudson Paper Co., Ltd., Manitoba; Canadian Boxes, Ltd., British Columbia (all 100 percent owned); and plus other noted.

12. *Morris A. Rosenthal.*—Mr. Rosenthal is listed in Who's Who as foreign trader. He has written and spoken widely on international trade, particularly exporting techniques. For many years he has been a top official of Stein, Hall & Co. and a leading spokesman of the import lobby.

13. *George L. Bell.*—Mr. Bell is a foreign-trade consultant of Washington. For years, until recently, he has held important Government positions: Acting Chief of the International Trade Office of the Department of Commerce; Chairman, Board of Alternates, United States Foreign Trade Zones Board; Commercial Attaché and Economic Officer, United States Embassy, Paris.

14. *John F. Fennelly.*—Mr. Fennelly is an investment banker in Chicago, member of the firm of Glore, Forgan & Co., a widely respected house. Glore, Forgan & Co. has never been identified with international investment, most of its activities stemming from industrial and banking interests in the Middle West.

15. *John A. McCone.*—Mr. McCone is a former Under Secretary of the Air Force (1950-51) and purportedly a personal friend of President Eisenhower. He is president of the Joshua Hendy Corp., which makes marine engines and other heavy equipment, and has extensive maritime connections. He is a director of Pacific Far East Line, Inc.

16. *B. E. Richmond.*—Mr. Richmond's name is not carried in any of the Who's Who volumes which we have available.

17. *Russell G. Smith.*—Mr. Smith has been vice president in charge of international banking of the Bank of America National Trust & Savings Associa-

tion since 1939. This bank has extensive overseas connections. It has a large branch in London and one in Tokyo. It also has very close banking relationships with Italian banks, due to the efforts of the late Mr. A. P. Giannini to set up American-type banks in Italy.

18. *Brayton Wilbur*.—Mr. Wilbur is listed in *Who's Who in America* as banker, importer-exporter. He was for many years in the export-import business in San Francisco and is president of the Wilbur-Ellis Co. He has been, and may still be, chairman of the board of the Federal Reserve Bank of San Francisco. He is on many boards, some of which indicate foreign connections, and appears to have been a sponsor of various international committees.

Senator MALONE. I want it distinctly understood, and I want this in the record, I am not blaming these men for going abroad and putting in their factories and shipping their goods back here. I blame my Congress for making it profitable or necessary to do it to survive. We have had witnesses here, just like you, who say if this keeps up to the extent of 3 years they are going abroad. So we are forcing them to go abroad.

Then we have a bill before us now, and we had one last year, that would give an American company a 38-percent advantage in income tax by going abroad.

Now, I have no quarrel with a man who believes that should be done, you understand that, just like you heard me question Mr. Taft. He is entitled to his opinions and beliefs and convictions just like you are and I am, but I wanted to make them clear in the record, which I think I did.

Can you understand on those conditions—and you should understand it; you are in business—how a workingman can be interested in transferring his job to foreign soil, by being for a lesser protection for his job than that differential which brings it up to a basis of fair and reasonable competition?

Mr. TOWNSEND. Not if he understands it.

Senator MALONE. But he wouldn't be, would he?

Mr. TOWNSEND. No.

Senator MALONE. Some day they will understand it suddenly and it will be a great shock, in my opinion.

Mr. Chairman, that is all.

Senator MILLIKIN. Do you believe in the fair observance of a differential that will eliminate discrepancies in the cost between production abroad and production in this country?

Mr. TOWNSEND. Yes, sir; we don't want any advantages.

Senator MILLIKIN. The point is you don't want to be injured unfairly?

Mr. TOWNSEND. Yes, sir.

Senator MILLIKIN. And if the injury test is applied honestly and in good faith all the factors will be taken into consideration and you will get fair play; is that right?

Mr. TOWNSEND. Yes, sir.

Senator MILLIKIN. And you are opposed to any other way of doing it?

Mr. TOWNSEND. We would be completely satisfied if we would get fair play.

Senator MILLIKIN. Wouldn't you get fair treatment under the present act if the injury test was abided by?

Mr. TOWNSEND. I think that is quite possible. We have not presented a case under that clause. I can't speak from experience.

The mechanism is clumsy and difficult.

Senator MILLIKIN. The injury test takes into effect all the things that will injure you. And if you are injured by unfair foreign competition—to put it another way, you are injured if stuff is imported in here that costs a lot less to make abroad than it costs you here under our living standards and our wage scales, and therefore, if they pay attention to that and other factors, you won't be injured. Isn't that correct, under the present law?

Mr. TOWNSEND. Yes, sir.

Senator MILLIKIN. So you don't care how it comes about, just so that that does come about.

Mr. TOWNSEND. I think we would prefer to go back to the 1930 act, upon the expiration of the present act.

Senator MILLIKIN. If that doesn't happen—and I am of the opinion it won't happen—but be that as it may, if that doesn't happen, if they adhere to the present standard and it protects from injury, it all amounts to the same thing and you would have no complaint?

Mr. TOWNSEND. That is right.

Senator MALONE. Mr. Chairman, could I ask another question?

Senator KERR. Senator Malone—

Senator MALONE. You understand the law was completely changed from the 1930 act on the basis of fair and reasonable competition, with no criterion. You understand that it was completely changed in the 1934 Trade Agreements Act, through the consideration of other factors that had to do with the meshing of domestic industries here, the economic factors, and the overall international situation? You understand that change took place?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. You understand, then, when this tariff is lowered—which in your case it has been.

Mr. TOWNSEND. From 60 percent to 25 percent progressively.

Senator MALONE. But it was lowered from that 60 percent to 25 percent and it was about cut in two. If a dollar is worth 100 cents and then it is worth 50 cents, the percentage is about half the protection if it is a fixed duty, is that right?

Mr. TOWNSEND. That is right.

Senator MALONE. In addition to the actual lowering it was lowered through inflation, was it not?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. When that lowering takes place—and it has taken place—you have that continual, perhaps not a threat, but at least a condition wherein it could be lowered further, if one set of Government officials or the President of the United States so desired. Then when you try to prevent that lowering, or to get the figure back where you think it belongs, you have to show serious injury, when, as a matter of fact, serious injury may take a year or 2 years or 3 years to show up. How long do you think a business can exist that may have to go to the bank and borrow money under those conditions? Do you think there is a continual pressure that is hard to combat?

Mr. TOWNSEND. I know there is. I would like to make this point, Senator, that the physical volume of carpet imports, in converting those to present dollar prices, is not an indication of the injury to

our industry. The prices established by the foreign mills in this market have a tremendous effect on our price structure in this country, and the stability of that price structure and the maintenance of a fair level of profit on invested capital. So that the difficulty in proving the injury is extensive, insofar as it affects the whole price structure, coming here, primarily into the major eastern market where the price levels are usually determined.

Senator MALONE. Now, does that make it harder for you to go to your bank and borrow money for an extension of your plant or improvements or modernization?

Mr. TOWNSEND. Yes, sir; because the health of an industry determines to a large extent its credit.

Senator MALONE. If you had to go to new investors, potential investors, to get your money, could you make as strong an argument, or strong enough to get new money into the business, as you could if you could say to a potential investor, "Now, this is a principle laid down by Congress to which the Tariff Commission must adhere. The only way it can be changed is to introduce a bill in Congress and to have hearings, go to a committee, be reported back on the floor, and get a majority vote in each house." Under which conditions can you interest better a potential investor in your business?

Mr. TOWNSEND. I would like to answer your question this way: I don't believe it would be possible to form a stock corporation today and have the prospectus say that you were going into the business of making carpets in this country.

Senator MALONE. Neither do I, and I don't think you can get new money for any business, except one that is presently immune from such competition. To hear somebody say, "Are you injured?" when you say, "The duty is too low," is like somebody pointing a .45 at your head and you saying, "Turn that away stranger, it might go off." When you are hurt, you are dead. That is the reason the thing won't work, and I heartily agree with you.

Senator KERR. Thank you very much, Mr. Townsend.

Senator MILLIKIN. May I make this suggestion: I suggest no matter what standard you have, whether the standard of the 1930 act or the standard of the present act, somebody has to decide it. And it takes time to pursue either of the remedies. You have that same difficulty to present to your banker, or your investor in your stocks. If you have a differential of cost test, every mind in the world can differ on that question. The difference in the cost of an item in any particular country nowadays has become very complicated, especially in all these States that have State enterprise of various kinds or where they grant subsidies and all that sort of thing. To figure out what the costs are a very difficult thing and people have different opinions on it. I suggest to you you might have the same differences as far as your investor is concerned or the banker. Both as to timing and quantity or quality of the judgment that may be rendered under one system as well as the other. The end point is as I said before, you should not be injured. If that is adhered to, you have no complaint.

Mr. TOWNSEND. Yes, sir.

Senator MILLIKIN. And if you were under the other system and the President didn't agree with the judgment of the Tariff Commission, on the cost differentials, and didn't follow the judgment of the

Tariff Commission, you would still be having difficulties, and you would still be having difficulties if the Tariff Commission didn't reach, under your viewpoint, the correct judgment as to what are the cost differentials. Isn't that right?

Mr. TOWNSEND. Yes, sir.

Senator MALONE. I would like to say, Mr. Chairman, I think this witness made a very good witness.

Mr. TOWNSEND. Thank you, Senator.

Senator KERR. Mr. Seakwood—

STATEMENT OF HERBERT J. SEAKWOOD, VICE PRESIDENT, THE EIMCO CORP.

Mr. SEAKWOOD. Mr. Chairman, members of the committee, my name is Herbert J. Seakwood and I am vice president of the Eimco Corp. of Salt Lake City, Utah. I am also a director of Eimco's six overseas subsidiaries located in England, France, Italy, the Union of South Africa, and Northern and Southern Rhodesia. As a company represented in over 70 foreign lands and dependent for its survival upon the maintenance of its export markets, we particularly appreciate this opportunity to briefly explain our reasons in support of H. R. 1 in its present form.

In one form or another, Eimco has been in existence since 1884. It has over the years pioneered in the development of the products it manufactures. These products serve three basic industries, for example, the underground mechanical loader known as the Eimco rocker shovel in the mining industry; the newly developed Eimco crawler-mounted tractor-excavator and tractor in the construction industry; and the full range of Eimco continuous vacuum and pressure filters in the chemical, metallurgical, and industrial process industries. In comparison to some of the larger American companies, we are but a modest one; however, in terms of our local community, in the Salt Lake area, we believe that we are the largest private domestic organization located there.

Eimco originally produced equipment that was designed to meet the peculiar needs of the mining industry in the intermountain West, the center of which has for many years been the Salt Lake Valley. The 1929 crash created the necessity of obtaining further outlets for those products, and it was found that mining activities paralleling those in our region existed in many export areas.

As a result, our foreign trade began. In the 21½ decades since, new products have been created and our company has multiplied in size many times over so that today we serve several basic industries throughout the world, and well over 50 percent of our annual sales are made to other countries.

The industry of which we are a part exported more than \$500,400,000 in 1953. It is obvious, therefore, that our industry generally and our company specifically have a vital interest in maintaining and expanding our list of overseas customers, overseas customers with dollars. The loss of our export markets or any substantial diminishment of it would necessitate the reduction of our payroll by 30 percent to 50 percent, depress the economy of our community, and materially reduce the annual equipment, material, and service purchases we make.

The problem of finding dollar customers overseas is the greatest obstacle with which we and other exporters have to contend. Our experience has shown that if the dollars were there, we could successfully meet foreign competition, of a variety far greater than that which the opponents of H. R. 1 would likely encounter in this country, if this bill were passed.

Despite our apparent disadvantage of a higher price, approximately 80 percent of all underground loaders of our type operating throughout the free world are Eimcos. Notwithstanding production by competitors in Sweden, France, England, Germany, South Africa, and Japan, we have largely overcome production cost differentials and such additional sales deterrents as foreign duties, easy credit terms, and a host of other obstacles. The reason is perhaps best explained by a director of one of the leading South African gold-mining companies with whom I talked in Johannesburg but 3 months ago. In discussing lower prices of our foreign competitors, this gentleman commented that his company was prepared to pay more for quality, service, reputation, integrity, goodwill, and the intangibles resulting from our continued engineering research.

For us, therefore, lower prices of competitors have not spelled doom any more than they should for the domestic industries that claim they cannot face the competition of imports. Such competition should and, undoubtedly, will create a greater impetus for the development of new and better domestic products, improved technology, and efficiencies in production—the chief beneficiaries of which would be the public at large, as it has been in the past. This is the very heart of America's strength and prosperity; and its outcome will be economic growth, not economic disaster.

The one thing that the exporter cannot overcome is the absence of dollars in the customers' hands. Without such dollars, we lose our sales, as do the United States automobile producers, machinery manufacturers, tobacco farmers, electrical-appliance industry, and the producers of cotton, wheat, prepared foods, chemicals, metal products, and scores of others. The extent, therefore, to which our foreign customers have those dollars is precisely the extent to which we here in the United States may sell to them and prosper, for increased sales mean increased profits, increased payrolls, increased purchases of capital goods, increased dividends for the benefit of all.

In our own national self-interest, the major question would therefore seem to be: "How to put the dollars in the hands of the foreign customer." I think we all agree that there has been enough of giving. Then, the alternative is to let these countries earn our dollars, to let them sell to us so that they may buy from us in turn. Is this not consistent with the widely accepted concept of "Trade not aid?" Would we not then simply be following that path which has already been endorsed by almost every major segment of United States industry and by the leaders of our political parties?

Last year, Secretary Weeks stated to the Congress that in 1952 approximately 3,126,000 people were directly engaged in export activities. This does not take into account the approximately 1¼ million who were directly engaged in imports, nor the hundreds of thousands and perhaps millions of others who are employed by companies which, in varying degrees, do business with and depend upon our export and import industries.

We know also that in each of the last 3 years over \$15 billion of the gross national product has been sold to export markets, which in 1953 involved just under \$1 out of every \$10 worth of movable goods—thus emphasizing the size and importance of our export industries.

As against these figures, the Bureau of Labor Statistics has issued a report indicating that the maximum workers likely to be affected if all tariffs were suspended would be somewhere between 96,000 and 202,650. This amount is approximately one-sixth of 1 percent of our total labor force and considerably smaller than the number likely to be affected if the bill were not enacted as law.

Senator MILLIKIN. I would like to suggest, Mr. Chairman, that those figures are very seriously questioned.

Mr. SEAKWOOD. This one-sixth of 1 percent, remember, represents the maximum if all tariffs were to be suspended. The number of workers who might conceivably be affected by the slight tariff reductions possible under H. R. 1 would be a very small fraction of this or any other number.

In our opinion, the gravest consequences in the defeat or emasculation of H. R. 1 would be in the sphere of our international relations, upon which the welfare and security of our entire country and our way of life depend.

On this point, you have heard from more eminent authorities than I and I am sure that the significance, impact and verity of those views will not escape your full appreciation.

It is our independent though concurring judgment that the United States trade program is of vital importance to our international alliances, and to the sturdy economic development of the free world countries in combating the encroachment of Communist imperialism. The defeat of this program would most certainly weaken United States leadership abroad and jeopardize the fulfillment of many other aspects of our foreign policy, which we believe to be essential to our security, but which require the active support of the community of friendly nations.

For the sake of our own national security as well as our own economic gain, we must, therefore, not only maintain the present levels of world trade but also work unceasingly to increase that trade to ever higher levels.

Much has been said about the United States industries that would compete with these imports. This committee has heard many fears expressed about the effects of lower tariff levels on certain products—usually by the same people who predicted 22 years ago that they could not exist under the reciprocal trade program. Today, much bigger and stronger in most cases, than they were, they are repeating the same type predictions.

We have already expressed our opinion that a lower price is not necessarily the controlling factor in the maintenance of sales. Moreover, the bill itself is moderate in its effect on duties and prices. The maximum tariff reduction under the bill at 5 percent per year over a 3-year period is relatively slight and can in fact have no grave consequences. Such reductions offer no great threat to any domestic industry and no great inducement to any foreign industry to loose a flood of imports upon our shores.

Domestic industry is in any event protected by the discretion vested in the President, who is not insensitive to the demands of his own Nation's businessmen and workers. The bill does not direct him to cut tariffs but merely authorizes him to either raise or lower them whenever he finds such action to be in the best overall interest of the United States. There is no one in a better position to determine the relative benefits of reciprocal trade concessions from the paramount position of the national interest than the President himself. Surely, our Chief Executive, already charged with the greater responsibilities of defense, peace, and national policy, can and should be readily entrusted to properly and fairly determine matters such as these.

On this question of economic gain and loss, I would like to make one more comment. My company and my industry have an admitted interest in export sales. This is generally true also of the other businessmen and business groups that have supported H. R. 1. On the other hand, there are some business interests which fear the competition of imports and have opposed H. R. 1. But there is a third element of this consideration and that is the American people, whose views dictate a national interest in this program. We regard it as highly significant that the members of every public group which has expressed itself on the question of trade policy have supported the program for an expanding level of imports and exports. The League of Women Voters, speaking for the consumer, the great labor organizations, the press, church groups, educators, and those without any sort of vested interest in the business of world trade have shown unequivocally that the national interest lies with the supporters of H. R. 1. I respectfully suggest that such unanimity cannot be denied.

Senator KERR. Thank you very much.

Senator MILLIKIN—

Senator MILLIKIN. Do you believe a domestic industry should be injured, if in doing so we enlarge the market for exports?

Mr. SEAKWOOD. I don't think I could answer that question yes or no, Senator, because I think it would depend on the relative injury involved; that is, to what extent those who would be competing with the imports, would be hurt, as against those who would be hurt by having been denied their usual export markets.

Senator MILLIKIN. Assume that there were. Would you favor hurting them to benefit an export industry?

Mr. SEAKWOOD. Assume what, sir?

Senator MILLIKIN. Assume they were hurt.

Mr. SEAKWOOD. I say it would depend on the degree.

Senator MILLIKIN. Assuming they were seriously hurt.

Mr. SEAKWOOD. I would feel if both industries were equally hurt; that is, if those who fear foreign competition here would be hurt as much by the existence of this bill as we believe exporters would be hurt by its denial, then I would say that the final decision should depend upon the broader interest of the public and the national approach toward foreign policy.

Senator MILLIKIN. Broader interests of the public to maintain a strong domestic payroll.

Mr. SEAKWOOD. Yes, indeed.

Senator MILLIKIN. If we don't have that, we lose our place and strength as a world force and a domestic force.

Mr. SEAKWOOD. Yes, but I don't think the payroll alone will be the significant factor.

Senator MILLIKIN. It is not the only significant factor. How could you possibly argue that we should sacrifice our domestic industry for imports and maintain a strong country? You are talking about consumers. No production, no consumption.

Mr. SEAKWOOD. In our case, no dollars in the hands of foreign customers mean no trade. If we don't sell overseas, we will have to reduce our payroll considerably. As we reduce our payroll our purchases go down. There are many, many millions, I dare say, that are dependent upon our business and that of other exporters, and on the stimulation that we give to other domestic industries through the purchases that we make. I don't think that we can draw the line as simply as that.

Senator MILLIKIN. I don't think there is any question about that, but I am suggesting if you destroy your domestic payroll, in order to accommodate imports so that somebody may have dollars abroad, pretty soon you have no dollars to send abroad, you have no industry, you have no position in world trade, or you have no strength in your domestic economy.

Mr. SEAKWOOD. Could we not reasonably take that same position, Senator, and find that by the same token we would be denied exports and the important effect of its economic demands on the large segment of American industry that is substantially dependent upon it? Wouldn't we in that way be weakening our United States payroll to perhaps a larger extent?

Senator MILLIKIN. I can see where you can lose payrolls by not having exports. I can suggest that the consumer portion of our exports have come about through our loan policies and giveaway policies and various helps to foreign countries. That is where the dollars have come from that have helped our exporters.

You wouldn't favor continuing that policy, would you?

Mr. SEAKWOOD. No, sir: and I have so stated here. I feel that we must get on a more stable economic basis. As a matter of fact, our relationship with our community of free countries requires it. I don't think they want our handouts any more than we feel we can afford to give them.

Senator MILLIKIN. I am not so sure of that, but taking that as a fact, I think the general sentiment in this country is that we must seriously curtail our handouts. That is bound to lessen that part of the export market which has depended upon those handouts, so far as making the foreign importer equipped to hand over some dollars is concerned; is that not correct?

Mr. SEAKWOOD. I think the way we can fill that gap, Senator, is by creating the proper climate and encouragement of trade. But I also think that it is not only a question of trade, if I may say so. Speaking now just as an independent citizen, I think that by far the most important consideration to be given to this bill is the serious effect that it would have upon the leadership role that we have assumed in the free world and among the other friendly nations.

Senator MILLIKIN. Many people are in favor of the continuance of the present system or of the present bill, if you wish to put it that

way, with some amendments that would strengthen the injury clause, for example. Would you have any objection to that?

Mr. SEAKWOOD. I would like to know a little more about what their recommendations would be.

Senator MILLIKIN. The present injury provision of the present laws and the present injury test of the proposed law is that no domestic industry shall be injured or threatened with injury in behalf of foreign trade. Do you agree with that?

Mr. SEAKWOOD. As a matter of fact I would go even further, Senator.

Senator MILLIKIN. Would you go that far?

Mr. SEAKWOOD. Yes; but I also assume implied in it, is that the decision as to whether or not there shall be reciprocal trade concessions will always be based upon the ultimate decision as to what is in the best interests of our country.

Senator MILLIKIN. The law specifies that no domestic industry shall be injured. Do you agree with that?

Mr. SEAKWOOD. Personally, Senator, I think there may be occasions where, if we sought to deny an injury to a very small segment of our country, we could conceivably hurt a greater portion of our Nation, and where we place in jeopardy the welfare of our community and our way of life, I think that at that particular point, the individual interest of my company or any other company must fall.

Senator MILLIKIN. The present law which you are endorsing, or the present bill which you are endorsing carries out the present provisions of no injury in the law as is, does not permit injury to domestic industry. Do you favor this or don't you?

Mr. SEAKWOOD. I favor it as it stands because it is being left—the decision, that is—to the final judgment of our President, in whom I have implicit faith.

Senator MILLIKIN. And you understand the Congress always has the right to review the President's decision and overcome his decision if it doesn't like it. Do you favor that?

Mr. SEAKWOOD. Yes, sir; I certainly do.

Senator MILLIKIN. Then you do believe in the injury test and you do believe in the ability of Congress in the last analysis to exercise its last judgment on it?

Mr. SEAKWOOD. Yes, sir; but I do think whatever decision is made by the President will carry a great deal of weight, will expedite the decisions that have to be made, and I think therefore that there will be only a very small number of cases in which the Congress might perhaps seek to override the judgment of the President.

Senator MILLIKIN. I suggest to you if you have a great succession of Presidential decisions that do not follow the decision of the Tariff Commission that there has been injury, soon you will find the whole subject back in the hands of Congress and some people don't regard that as desirable because it would inevitably take on a greater protectionist aspect than you would get under the present law or under the proposed law. You see, the Constitution put that subject in the hands of Congress. It doesn't put it in the hands of the President, but in the hands of Congress. That is the Constitution. That is not something we can play around with and say, "Oh, well, let's not pay any attention to that."

MR. SEAKWOOD. I personally believe we are in a quasi-emergency condition today.

SENATOR MILLIKIN. Assuming we are, is the Constitution in a quasi-emergency position?

MR. SEAKWOOD. No, sir, we would never place it in that position, knowingly. But I do feel the times in which we are living are such that decisions of this nature must be viewed not only from the point of view of a Tariff Commission, which I am sure would give fair consideration to those factors that are placed before it, but I feel strongly that someone who is also knowledgeable and charged with the responsibility of our welfare, defense, the intricacies of our foreign policy and our relationship with our allies, should also weigh those facts in the light of the entire picture. If there were a larger number of people who would be adversely affected by this bill's passage, than people such as ourselves, then I would say our interests should not be given consideration.

SENATOR MILLIKIN. Let me suggest the minute you start slicing off domestic industry and payrolls of domestic industry to serve the export industry or to serve anything except a few things that I might mention, pretty soon you have no strength at home. You don't have strength even to support your export industry. You get your strength to support the export industry from the economy of the United States, do you not?

MR. SEAKWOOD. Yes, sir.

SENATOR MILLIKIN. If the economy of the United States receives a severe setback through bad import or export policies, then you confront your problem in a weakened condition, do you not? You cannot be prosperous here for any length of time with everybody else desolate.

MR. SEAKWOOD. Well, that is the very position we endorse and take. We feel there are so many more people who are dependent upon exports than those who, at this particular stage, would be harmed by the passage of this bill, which we believe to be very moderate, that we feel that the American economy and the American worker, American industry would be more harmed and its interests less served, if the bill were defeated.

SENATOR MILLIKIN. You reach that decision despite the fact that 90 percent of the American market is dedicated to the American producer and the American workingman?

MR. SEAKWOOD. I don't know as I understand just how it is dedicated.

SENATOR MILLIKIN. Well, we have an American market. Ninety percent of which is supplied by the American producers. That is what I am talking about, whether you call it "dedicated," or something else. In a word, must not that at least be maintained? If we don't maintain it, are we not in serious trouble?

MR. SEAKWOOD. If we give up—just take a fictitious figure, with which you may quarrel—if we give up 10 percent of our output which is sold in the domestic market in order to retain 20 percent of our output which is sold in the export market, and if it should thus be shown in fact that the export market is contributing more to the well-being and economic security of this country, then that 10 percent we are giving up to our domestic market, then I should certainly think

everyone would agree that our greatest interests lie with that export segment of the market.

Senator MILLIKIN. We have control of the internal market. What control have you over the foreign countries to take your exports?

Mr. SEAKWOOD. Perhaps we can say by faith based upon past experience. I have had occasion to negotiate with and come before many governmental bodies of foreign countries, and I haven't found them to be unreasonable. We are fairly familiar with the markets to which we sell in every quarter of the world excluding the Soviet bloc, and we are reasonably satisfied there is a continuing and growing market for our products abroad.

Senator MILLIKIN. Would you rest our national economy upon assurance of that? We have testimony here that we have hundreds of bilateral agreements which exclude competition, except to the countries that are in those agreements. We have records before this committee—not this particular hearing, but records have always been standing here, of the import licenses, export licenses, monetary restrictions, and all these other things, which indicate that we cannot control the foreign market. But we can control our own. You are making a special quality of goods which may have a different status from the ordinary run of the mine.

Mr. SEAKWOOD. No; not any longer, Senator. We started with special goods, and that is how we got into the mining industry abroad, but we are now making mining equipment, for example, that is being made abroad by competitors.

Senator MILLIKIN. Won't you recognize there is a distinction between a market, the largest market in the world, which is supplied 90 percent by American producers, and a foreign market which can be controlled by the other fellow and over which we have no control—we can't repeal his judgments.

Mr. SEAKWOOD. Yes, sir.

Senator KERR. May I make a suggestion?

Senator MILLIKIN. Yes.

Senator KERR. Isn't the 90-percent figure low?

Senator MILLIKIN. Perhaps it is low.

Senator KERR. That our national production is considerably in excess of \$300 billion.

Senator MILLIKIN. I think the figure is more than \$300 billion. I am talking about gross annual production.

Senator KERR. And are not our exports less than \$15 billion?

Senator MILLIKIN. I think so, and they have lessened substantially since we have cut off the giveaway.

Senator KERR. Then don't our domestic market consume 95 percent?

Senator MILLIKIN. I am willing to make it 95 percent. I had 90 percent in mind. I have heard a lot of statements to the effect that it is 90.

But I come back to the point, we can control our domestic market, but how can we control our foreign market?

We have been trying for years to get foreign countries to make their own currencies convertible. We have been trying for years to get them to develop a local domestic, European market. Those things haven't come about. They may come about. I hope they do, but they are not here yet.

In other words we can't do the things we would like to do so far as standards of living are concerned, so far as wages are concerned, so far as monetary practices are concerned, so far as foreign countries are concerned.

Should we jeopardize this domestic market which, as I say, is the largest in the world, in which we domestically occupy the dominating part—call it 90 percent or 95 percent—should we jeopardize that, and if so how far to accommodate industries which were largely stimulated by our giveaway policies, and which, assuming they were not stimulated by giveaway, where we cannot control that aspect of our economy.

Mr. SEAKWOOD. Sir, if I believe we were jeopardizing 95 percent, or any substantial segment of our domestic market by the bill that we are advocating, I shouldn't advocate it.

Senator MILLIKIN. I know you wouldn't, but I think a little different turn should be put on your argument. If the point is to provide dollars, the answer is free trade. If you had that you surely would jeopardize your domestic market. You would jeopardize dollars for the American more than you would dollars for the foreign.

Mr. SEAKWOOD. I am not at this point prepared to endorse free trade, Senator but I am still in favor of this bill.

Senator MILLIKIN. Are you ready to endorse the principle that there shall be no injury to domestic industries?

Mr. SEAKWOOD. I would be prepared to endorse the principle that there should be no injury to domestic industry that would be disproportionate to the whole interest of our country.

Senator MILLIKIN. What would that mean? I might make that statement in a political speech and it might sound pretty good but what does it mean in terms of trade?

Mr. SEAKWOOD. What I am saying is that mere word "detriment" means very little to me because my question would be how much to what extent, how seriously, whom and how much does it hurt? How can we overcome it? Who else would be hurt and how would the welfare of our country be affected in either case? I couldn't accept just a statement or a phrase without knowing what the meaning was.

Senator MILLIKIN. There is a basic principle that I have been driving at, here, that we should look primarily toward our own domestic welfare and that we should protect that primarily. I am not talking in terms of high protection, I am in favor of fair competition, let's get that straight, but the sensible inference, and it seems to me it is sensible, it seems to me it is unavoidable, we should keep that market here in America, which is the best in the world, fairly available to domestic producers.

Now if we don't do that we have nothing to anchor to.

Mr. SEAKWOOD. With part of your statement I certainly agree. I didn't intend to imply that I was advocating any action which was going to hurt domestic industries to any material extent.

Senator MILLIKIN. If you adhere to the law as it is now and adhere to the law as it is proposed under this bill, there should not be any injury to domestic industry. If domestic industry is not going to be injured, that removes the subject from debate.

Mr. SEAKWOOD. The point that I as a private individual wish to make is that I feel foreign competition should be limited only to the

extent that our definite major, national interests are adversely affected.

Senator MILLIKIN. I am heartily in favor of increasing our exports, if we do not injure our domestic economy. I am not in favor of bargaining away our domestic economy to achieve some vague benefit which we cannot control and which may be an advantage tomorrow or which may disappear under changing valuation of money, under exchange restrictions, under import and export restrictions. I am not in favor of that kind of market.

Mr. SEAKWOOD. We have a stake in the domestic economy as well. There is still a large proportion of our production that is sold in this country. But the additional comment I would like to make is that I don't think there is a clear delineation between export trade and the domestic trade to which you refer in terms of our domestic economy.

Senator MILLIKIN. If you can't make it clear shouldn't you stick to something along the line that I have mentioned that you must not jeopardize this American market, and you must not jeopardize American industry? You have to hang on to something.

Mr. SEAKWOOD. Yes, sir; and as a broad statement I certainly go along with it.

Senator KERR. May I interrupt, Senator Millikin?

Senator MILLIKIN. Yes.

Senator KERR. Would it be possible to agree at the conclusion of your questions, to recess until 7 o'clock?

Senator MILLIKIN. Tonight?

Senator KERR. Yes.

Senator MILLIKIN. It is possible for me to agree because I won't be here.

Senator LONG. I will be here.

Senator MALONE. I don't know that I can be here. I don't think it would be a sensible thing to do. We could recess until tomorrow at 10 o'clock. You are running the committee and I am not running it. If I can't conform to it, I just won't be here.

Senator LONG. We do have other witnesses.

Senator KERR. There are three other witnesses.

Senator MALONE. I would like to ask a question. Why is it so necessary to rush these witnesses through?

Senator KERR. I am not trying to rush them.

Senator MALONE. Why is it necessary to hold a night session? Now, that isn't necessary for you to answer because you are running the committee and I am not.

Senator LONG. The chairman, Senator Byrd, has expressed the desire to me, Senator Malone, that we try to hear these witnesses at the time they are scheduled to appear. Some of them have come at considerable expense here and he is anxious to keep the schedule and to conclude the hearings.

Senator MALONE. I would like to bring it up right now, and I still am not trying to influence the committee because I have nothing to do with it, but why is it necessary to schedule so many witnesses in a day when it is clear that you can't get through?

Senator KERR. Neither Senator Long nor I have done that, Senator Malone.

Senator MALONE. Will the chairman of the committee be here at 7 o'clock?

Senator LONG. I will be here.

Senator MALONE. I am talking about the chairman of the committee.

Senator KERR. I am not in a position to answer for the chairman, Senator.

Senator MALONE. Well, I am not in favor of it, but I am not running the committee.

Senator MILLIKIN. Tomorrow is Saturday, Mr. Chairman, and it has been a general desire that we not hear testimony on Saturday and I approve of it heartily and we will have some difficulty in postponing things over until tomorrow.

Senator MALONE. Monday is another week.

Senator LONG. I would then vote that we recess until 7 o'clock.

Senator MALONE. Seven o'clock tomorrow or Monday?

Senator LONG. Seven o'clock this evening.

Senator MALONE. I will not vote on it. It is just one of those things. If you want to come back at 7 o'clock that is entirely up to the majority and if that is your conclusion, if any of us can't come back, we just won't be here.

Senator MILLIKIN. That is all right with me. I can't be here but I will follow whatever the decision is.

Senator LONG. Then it is agreed that we will recess until 7 o'clock, at the conclusion of the questioning of this witness by Senator Millikin.

Senator MILLIKIN. I am through.

Senator LONG. Then we will stand in recess until 7.

Mr. SEAKWOOD. Senator, should I come back?

Senator MALONE. I would like for him to come back.

Mr. SEAKWOOD. Yes, sir.

(Whereupon, at 5:55 p. m., the committee adjourned to reconvene at 7 p. m., the same day.)

Senator LONG (presiding). Mr. Rivinus?

(No response.)

Senator LONG. Mr. Lanier.

STATEMENT OF J. C. LANIER, GENERAL COUNSEL, TOBACCO ASSOCIATION OF UNITED STATES, AND LEAF TOBACCO EXPORTERS ASSOCIATION, GREENVILLE, N. C.

Mr. LANIER. Mr. Chairman, my name is J. C. Lanier and my home is in Pitt County, N. C. My State produces more leaf tobacco than any other State, and my county produces more tobacco than any other county in the United States. The soil and climate in my area are favorable to the production of a great variety of crops, but we are engaged primarily in the production of cigarette tobacco.

In 1954, North Carolina produced approximately 900 million pounds of cigarette tobacco valued at nearly \$500 million. The production of cigarette tobacco in the United States for 1954 amounted to approximately 2 billion pounds valued at more than \$1 billion.

In addition to North Carolina, the States of Virginia, South Carolina, Georgia, Florida, and a small part in Alabama produce what is known as the Virginia Bright tobacco. The States of Kentucky, Tennessee, Missouri, Indiana, Ohio, West Virginia, and North Carolina produce the type known as burley tobacco. Maryland also produces a type used in cigarettes.

In the year 1954, about 500 million pounds of United States leaf tobacco were exported to foreign countries. One-third of the cash income to growers in the flue-cured belt is derived from export sales. About one-fourth of the cash income from cigarette-type tobacco grown in the United States is derived from exports. These figures, I hope, will give the committee an idea of the tremendous importance of the export market to tobacco growers, of whom there are more than 700,000 families who derive their cash income principally from cigarette tobacco.

It is my purpose here today to assist the committee as best I can in determining how a continuation of the reciprocal trade agreements program will affect this important segment of the national economy.

I am a tobacco grower. This is my principal business. In addition, I am general counsel for the Tobacco Association of United States and the Leaf Tobacco Exporters Association. The members of these associations are tobacco merchants who do not grow tobacco but who buy and sell leaf tobacco, principally to customers in foreign countries. Today I speak in behalf of these two organizations, and also in behalf of and at the request of Tobacco Associates, Inc., and the Burley & Dark Leaf Tobacco Export Association. These organizations have a membership of nearly 800,000 tobacco growers.

Tobacco has been an important export crop since the first settlement was made in Jamestown in 1607. From then until now, tobacco has been one of the most important agricultural commodities produced and exported by this Republic. During all these years tobacco has earned funds which, in turn, were available for the purchase of foreign goods and services needed and necessary in the early development of this Nation. It has also been for many years an important source of revenue to Federal, State, and local governments. In 1954, tobacco contributed more than \$2 billion in excise taxes to the Federal Treasury and to State governments.

At the present time, tobacco is the third most important farm crop exported by the United States, exceeded only by cotton and wheat. In 1954, the value of tobacco exports exceeded \$300 million. It is therefore obvious that any changes in trade restrictions within the United States or in foreign countries which affects the sale of our tobacco in foreign countries will directly affect the cash income of all these 300,000 farm families who grow tobacco.

It will also affect the entire economy of a large area where tobacco is grown. Should such changes adversely affect the exportation of tobacco, these changes would be reflected in lessened purchasing power in those areas. It would mean that fewer automobiles, refrigerators, tractors, watches, as well as countless other commodities used in these areas, will be bought. This, in turn, would affect the economy of other sections of the country where these articles are produced.

We have been able to maintain our export markets for tobacco because it is superior in quality to similar types grown in other countries. In a free market in competition with tobacco produced in any other country we can outsell the competition.

Two factors have worked against the expansion of world markets for our tobacco. One has been the scarcity of United States dollars in the hands of foreign purchasers. The other has been the trade restrictions imposed by foreign countries on American tobacco. These

restrictions can be attributed largely to the desire of those countries to conserve their dollar exchange.

The most feasible way, in my opinion, to increase the sale of our tobacco in foreign countries is to permit them to sell more of their goods in the United States. We cannot continue to sell to them if we do not buy. Neither can we continue a giveaway program. It is illogical to subsidize the sale of United States goods by loans and grants, and at the same time restrict the market for foreign goods in the United States. We believe that trade is a two-way street. Some countries are able to produce goods more advantageously than we can produce them. We can produce tobacco more advantageously than most other countries. We believe the exchange of goods in such cases is to the mutual advantage of both countries.

We therefore favor the development by the United States of a long-range foreign-trade policy which will provide the machinery for future reductions in the barriers and obstacles which tend to restrict the exchange of goods between our country and the other free countries of the world. We believe that such a policy is consistent with the national interest, and with national security. We believe that H. R. 1 will implement that policy. We therefore recommend the extension of the Trade Agreements Act as provided in H. R. 1.

We do not advocate the immediate abolition of all trade restrictions. We realize that it is necessary in certain instances to protect certain segments of agriculture and industry by tariffs or by import quotas. Such restrictions, if properly used, can serve the best interests of our Nation. But in using such restrictions, the national interest should be considered.

We believe that the peril-point and escape-clause provisions of the present Trade Agreements Extension Act are ample for the protection of any industry. We do not contend that the program has worked perfectly in all cases. Nothing is perfect in matters of this kind. We do believe that the overall end result has been good.

We recognize that producers of products sold largely in the domestic market have their problems. We think that their interests should be carefully considered. But the final decision with respect to any segment of our economy should always be made in the overall public interest.

H. R. 1 is not a mandate to the President to lower tariffs. It merely provides the machinery for lowering them when it is in the public interest. It also provides for the raising of tariffs when it would be in the public interest to do so. For my part, I am perfectly willing to trust our President to weigh the issues carefully and to make the decisions, under the restrictions provided in the bill, in the interest of all the people.

We are seriously concerned about our national security in the years ahead. Our way of life is now threatened as never before in its history. In order to meet successfully the threat of communism we must have friends and allies. We cannot afford to stand alone but must have friends and allies. In order for those friends and allies to exist and prosper they must have access to trade. If we fail to provide a means under which they can trade with us they will be forced to trade elsewhere. Friendship follows trade. If their trade and their friendship goes elsewhere, it could mean disaster to us in the future.

We cannot live alone. We cannot build a fence around us. We must build friendships with other nations and to do this trade and commerce are priceless weapons. H. R. 1 places these weapons in the hands of our President with certain limitations. I have no doubt that if Congress grants this authority it will be used by the President in a way that will best serve our country.

Thank you very much.

Senator LONG. Let me ask you this: Do you feel that trade should flow along the lines of natural advantages, that the country that has the natural advantage in a certain product should trade with other countries that have advantages in producing other types of commodities?

Mr. LANIER. I think in cases where an industry is starting out, is in its infancy, that there should be some protection for it. But in the final analysis, I think that should be more or less the yardstick; yes sir.

Senator LONG. It seems to me that there perhaps should be some device in our trade law to encourage other countries to raise living standards. As a matter of fact, most countries can't produce manufactured articles any cheaper than we can, in a general sense, but many of them can undersell us because of low wage standards.

If we could find a practical way to encourage other nations and other manufacturers abroad to raise living standards, that would make better customers of those people, wouldn't it?

Mr. LANIER. Yes; it would, Senator. And, in my opinion, the only way that they can raise their standard of living is to sell more goods to those that are able to buy them, and therefore they can buy more of the goods that would raise their standard of living.

Senator LONG. I have never found the exact proposal that might do it, but I have been working on the idea that we should have some proposal whereby we could agree to make tariff concessions where we could see a true demonstration that the concessions either had or would result in an increase in the living standards in the countries with whom we are trading.

It seems to me that one of these days we are going to have to find some practical means of pressing for that objective. I believe that we are going to need it as a part of our fight against communism.

I take it you do find some appeal in that idea?

Mr. LANIER. I do.

As someone has said, an empty stomach is the best breeding ground for communism that there is. And in the countries that have those low standards, the threat of communism is the greatest. Take Japan, for instance, at this moment. They are our late enemies, of course, but now we look upon them as an essential part of our defense in case a global war comes about.

To me, the question as to whether they are going with the free world or with the Soviet bloc depends upon their national economy. If they are hungry and despondent and without hope, we are going to lose them. But if we can let them trade with us to some extent, and we trade with them, then I think they would be on our side. And some of these days we are going to need them, if I see anything in history.

Senator LONG. Thank you.

Senator Malone?

Senator MALONE. Mr. Lanier, you are in the tobacco business?

Mr. LANIER. Yes, sir; I am a tobacco grower. And I also represent, as I said before, two organizations who buy and sell leaf tobacco mostly in foreign countries, but do not manufacture tobacco products.

Senator MALONE. Well, I chewed that tobacco when I was in France, in World War I.

Mr. LANIER. I was over there, too, Senator, in World War I.

Senator MALONE. You chewed tobacco, too, then, did you not?

Mr. LANIER. Yes, sir.

Senator MALONE. I fully sympathize with your position. You want to sell more tobacco. And you are willing in order to sell that tobacco to sacrifice some other product in this country?

Mr. LANIER. No, sir.

Senator MALONE. How would you explain that? I listened very carefully to your statement.

Mr. LANIER. Maybe I can give a specific instance. England is our largest customer for tobacco. I see quite a number of English automobiles over in this country that are brought in and sold in competition with the biggest industry in this country. And I have never heard yet that that was destroying our automobile industry. And yet the fact that we allow them to market an insignificant number, as cars go in this country, on our market—then we are able to go ahead and sell them more tobacco than we sell to any other country.

Senator MALONE. Yes.

I think if Mr. Reuther is going to bring down free trade, he is going to see the day he will ride down the middle of the street in Detroit in an English-made Ford, bowing to his unemployed workers on the streets; I think that day will come.

Mr. LANIER. As I said before you came, I am not in favor of abolition of all tariffs at this time. There are instances in which they are not only desirable but highly essential. But I do not believe that because of some temporary damage to a small segment of the economy the interests of the entire country should be subordinated to that one small segment.

I will give you an example, if you will let me, Senator.

Senator MALONE. Go right ahead.

Mr. LANIER. This is in my home State. A few people there have started recently the cultivation of the Turkish type of tobacco. Now, we can produce Turkish-type tobacco, but at a high cost. It is possible that it costs them as much as \$2 a pound to produce this tobacco. We can buy, and have been buying this type of tobacco in foreign countries for \$1 or \$1.25 a pound.

Now, I just can't see any reason why these domestic producers should come here and ask that a dollar a pound be put on Turkish tobacco, from Greece and Turkey, from those countries, in order to protect this industry which is just starting. I think the public interest should be paramount to the interests of any small group.

Senator MALONE. What size slice of the economy is this tobacco industry in the national economy?

Mr. LANIER. The whole industry?

Senator MALONE. Yes.

Mr. LANIER. The valuation of the leaf product for 1954 was in excess of \$2 billion. It paid in taxes, the finished product, in taxes paid over \$2 billion.

Senator MALONE. \$2 billion out of about \$350 billion?

Mr. LANIER. What is the \$350 billion?

Senator MALONE. The total production of the United States.

Mr. LANIER. I mean, that is the farm value of the tobacco grown, yes. The finished product would run at least six times that much.

Senator MALONE. Do you finish it before you send it to England, or do you send it in a raw state?

Mr. LANIER. We reduce it down to about 10 percent moisture content.

Senator MALONE. But it is not manufactured?

Mr. LANIER. It is not manufactured.

Senator MALONE. It is really a raw product, it is unprocessed?

Mr. LANIER. It is unprocessed.

Senator MALONE. \$2 billion would be about a fifth of 1 percent in the economy. You wouldn't be talking about your own industry when you are talking about a small segment, would you?

Mr. LANIER. I wouldn't consider ours a small segment, since we are the third largest exported farm commodity, exceeded only by cotton and wheat.

Senator MALONE. Wheat; we pay for that export, don't we?

Mr. LANIER. I am not too familiar with the wheat problem.

Senator MALONE. To bring you up to date, it costs us about 50 or 60 cents for every bushel we export.

Mr. LANIER. I do know that the wheat has cost the Commodity Credit Corporation a lot of money.

Senator MALONE. And you pick up the check.

Mr. LANIER. But tobacco has not.

Senator MALONE. I am not complaining about that, understand. We voted that kind of a deal.

Is your industry considered important in national defense?

Mr. LANIER. Considered important—

Senator MALONE. In national defense.

Mr. LANIER. I think we are as important as the average industry; yes.

Senator MALONE. You mean, it is that necessary to national defense, that if we didn't have tobacco, here, we couldn't fight a war; is that the way it is?

Mr. LANIER. I think so.

Senator MALONE. What do you base such a statement on?

Mr. LANIER. Maybe I didn't get your question.

Senator MALONE. You have covered a good wide field here about national defense and the good of the country. Do you consider the tobacco industry—or do you consider tobacco a critical material that you couldn't fight a war without?

Mr. LANIER. No, sir; I wouldn't consider it a critical material. From your experience and mine, we know that the soldiers consider it very essential to morale in any Army, because that is often the first thing they call for—sometimes even before they ask for food.

Senator MALONE. You think, then, that this is a necessity in national defense, and it ought to be considered a national defense industry?

Mr. LANIER. I would not say so; no, sir. I would say it is almost a necessity to the soldiers.

Senator MALONE. Well, soldiers are necessary; aren't they?

Mr. LANIER. It appears so now; yes, sir.

Senator MALONE. I didn't mention any particular type. At least, you have to have men to run the business, and we call them soldiers, whatever they do.

Mr. LANIER. Yes, sir. Unfortunately, it seems to be very true, there seems to be a necessity for a great many soldiers, sailors, and marines.

Senator MALONE. Probably some of the jobs that you and I used to do have been obliterated, but new ones have been created for soldiers.

Mr. LANIER. Yes, sir.

Senator MALONE. You wouldn't consider it a critical or absolute and necessary material for national defense; is that right?

Mr. LANIER. That is right; I would not.

Senator MALONE. And you wouldn't consider it a large industry; that is to say, you wouldn't consider it would cripple the entire national economy if you suddenly lost about half of it; would you?

Mr. LANIER. Not the entire national economy. But as I said earlier, there are over 700,000 families in the United States who depend upon the production of cigarette types of tobacco for their cash income. And the condition which you described there would seriously affect the economy of the tobacco-producing areas. And that, in turn, would have its effect in every other area of the United States, because we buy a lot of things that other segments of our economy produce. We are a great market.

Senator MALONE. You don't put in with Mr. Taft, then, and others, that you could slowly move from one industry to another, and perhaps move workers and families from one area to another to compensate that loss of an industry or part of an industry?

Mr. LANIER. It would be possible to transfer the activities of tobacco growers over a period to other crops. But those crops are already being overproduced, and such action would further aggravate the present situation.

Senator MALONE. They weren't talking about other crops, other mining jobs, or other bicycle jobs; they were talking about going into manufacturing industries where they think they are going to increase the market abroad by allowing these raw materials to come in.

Mr. LANIER. It would take a long time to transform the great farming area where I live and where tobacco is grown into manufacturing communities.

Senator MALONE. I didn't say they wanted to do that. They would transport them to another area, and we would appropriate the money. You don't think much of that suggestion, do you?

Mr. LANIER. I don't.

Senator MALONE. I don't, either. And I find myself in great agreement with you when you say you want to preserve your industry. But where I part company with you is when you would sacrifice a part of another one to preserve it. You do not mean that really, do you?

Mr. LANIER. I hope I did not say that. I said at times it is necessary that industry be protected both by tariffs and import quotas, but there are cases where to give the President authority to make

reciprocal trade agreements would benefit the whole economy of the country.

I don't understand it that if this bill should pass, President Eisenhower is going to take it as a mandate to immediately go and reduce tariffs.

Senator MALONE. I am glad that you southerners have so much confidence in our President, because I helped elect him, and I know some of you fellows did, and I will help elect him again, and I hope you do.

Mr. LANIER. I certainly hope to.

Senator MALONE. And I have great confidence in him. But the Constitution of the United States is a great document, too; isn't it?

Mr. LANIER. Yes, sir.

Senator MALONE. What does it say about this matter of regulating foreign commerce, foreign trade, and the setting of duties?

Mr. LANIER. Well, my recollection, Senator, is that it says Congress shall have power to do that.

Senator MALONE. Doesn't it say Congress shall take care of it?

Mr. LANIER. Yes; I think so.

Senator MALONE. Now, there are some people, then, that believe Congress should exercise that power, just like they did the matter of regulating domestic commerce between the States when it comes to freight rates. They didn't give that power to the President and tell him to go ahead and be the judge of what freight rates should be. What they did was to create an Interstate Commerce Commission, and they said to that Interstate Commerce Commission: "Now, you regulate these freight rates," and laid down the principle upon which they should regulate them.

Mr. LANIER. I think so; yes.

Senator MALONE. And that principle was the principle of a reasonable return on investments. Wasn't it something like that?

Mr. LANIER. I think that is correct.

Senator MALONE. I think it was.

I served 8½ years on the State Commission of my own State. They call it the public service commission out there. I was the engineer member of it at that time. And I held a good many hearings for the ICC, and the Interstate Commerce Commission is charged by Congress with the same thing that your State charges its Public Service Commission, or Railroad Commission, or whatever it calls it, and mine, and all the rest. They write a book about it; the law is pretty long. But when you simmer it all down, it really says it shall be done on the basis of a reasonable return on investment. And so the State commission and the ICC, on interstate, may spend quite a lot of time, sometimes several years. In a State commission they spend months, or even years, in determining the valuation of the public utilities, considering original cost and replacement values, and amortization, and all that sort of thing. But when they finally arrive at the value, whether it is \$1 million or \$50 million or \$500 million, they do arrive after they have considered all these figures. Then they consider what a reasonable return would be, whether it is going into an agricultural community, and if, in a hundred years from now, it will still be pretty good. Or it might be going into a mining community that might change to depreciate the investment, or it might be into

some kind of a park area where the character might change. But they will determine what they consider a reasonable return on the investment, whether it is 2, 5, or 10 percent.

And, then, it is appealable to a court by either side. But they settle it, and it is on that principle. They can't consider more than a reasonable return because it is John Jones' uncle, or something else. They have one criterion.

Now, the Constitution says that Congress is in charge of that business. The Constitution says that Congress is also in charge of this regulating for commerce, foreign trade, and setting the duties, imposts, and excises, we call them tariffs. And the Congress created this Tariff Commission as its agent, just like the Interstate Commerce Commission, and Congress gave that Commission in quite a large volume of directions. But when you simmer it down there is only one criterion, and that was the difference in cost of products, the reasonable cost here of a product and the reasonable cost of a like product in the chief competitive nation—in other words, a fair and a reasonable competitive basis. They set that down as a principle.

The Tariff Commission wasn't entitled to go out and say, "Well, now, agriculture needs help, or the minerals industry needs help, so we will allow this to be a little under that competitive amount, and we will help these other industries." There is nothing like that in the law; it is just one criterion.

Now, I am going to ask you—you look like a fair man to me.

Mr. LANIER. Thank you.

Senator MALONE. You probably have done a lot of good hard work, and maybe some of it you didn't get too well paid for—I can sympathize with that, too—

Mr. LANIER. I have been working 50 years, Senator.

Senator MALONE. Well, I have got you beat about 14 years, so I can sympathize with you on all facets of it.

Now, I am going to ask you if you think it was a wise thing for Congress to do, to change that principle that they laid down of fair and reasonable competition? Many people have said over the years that they did that to develop the whole country, so that if you or I or any of our people want to establish a business, and we find the area in the country that fits all these factors, you can say so to the folks you are trying to get to finance it. Most of us do have to go out and get help.

Now, Congress has laid down a principle; no foreign nation can hurt us, unless there is a mistake made, because the Congress has said that anything that comes in here is coming in on the basis of a reasonable cost in this country. The duty is going to make up cost difference, and then adjust it up or down. It is flexible in the 1930 act for that purpose.

And then if the prospective investor thinks that is all right, maybe he will risk his money on it. Do you think Congress is smart in changing that policy and going over into a policy under the 1934 Trade Agreements Act where not an agent of Congress but the Executive—a different branch of government entirely and mostly the State Department—fixes the tariff? I think you will agree that the State Department is interested in foreign affairs primarily—and, by the way, the executive department is charged with setting foreign policy and

the whole business. To put that in the hands of the Executive, and then broaden the factors, take in many other factors, like the meshing of many economic factors between different types of business in this country, mining, manufacturing, and agriculture, and the condition of the world, whether something helps our relations with other nations of the world, defeats the purpose of the Constitution. All of those factors this Executive can consider, whether it is on a basis of fair and reasonable competition or not. When he comes into it he can sacrifice one industry or another, if he wants to—and I think you will agree with me that he can and has done that on different occasions. Do you think it is a wise move to change that principle from a principle of fair and reasonable competition to a principle of the general good of the whole Nation and international relations?

Mr. LANIER. Well, that is a long question.

Senator MALONE. I wanted to explain the background. Now, I will state it in very short form:

Do you believe that the 1934 Trade Agreements Act should be continued to substitute for the 1930 Tariff Act where it is a principle, and the other is on a general array of factors that the Executive can consider?

Mr. LANIER. Well, I would say, yes, Senator, because under the 1930 act it is impossible to find a true criterion of relative costs in foreign countries as compared with ours.

I would also say that in bringing the President of the United States into this picture, he is in a position to weigh the whole public interest and the national security against the complaint and against the fancied or real injury to a segment of our economy. And because he is charged with this responsibility in the national security, he is the proper man under the limitation set out in this bill, he can do it better than anyone else.

Now, I grant that if Congress had the time, if this Senate had the time to hear each complaint from a segment of industry that is threatened with serious damage because of foreign competition, that that would be a way it could be done. But, as a practical matter, the Senators now have so many things to do, that they could never get through with the required hearing, and therefore under our system you have delegated this matter to the President of the United States, who has been elected by all the people, and who, I believe in the settlement of any of these disputes, will be guided by the best interests of all the people.

Senator MALONE. I judge from your answer that you think it is well that we did change the principle, and it should be continued.

Mr. LANIER. Yes, sir.

Senator MALONE. Now, I would ask you one other question, as long as you were kind enough to say that we are busy up here.

Do you think the President has time to hear all these things?

Mr. LANIER. I know he is very busy; I really don't know whether—

Senator MALONE. Do you think he hears any of them?

Mr. LANIER. Do you mean personally?

Senator MALONE. Yes.

Mr. LANIER. I wouldn't know.

Senator MALONE. Of course he doesn't. What he does is turn it over to the State Department that has a one-economic-world idea and has had for 20 years.

And, as a matter of fact, for your information, whatever they think about it—and we all have our ideas—we have been following England for 21 years, Mr. Churchill and Mr. Eden have been ex officio members of our State Department for that length of time—

Mr. LANIER. I couldn't disagree with you too much on that one.

Senator MALONE. I am sure you couldn't, because you look like a man who, when he was in the Army, knew what was going on around him.

Now you agree with Mr. Dulles then when he was asked a question that if he thought—I will read the question that was asked him. He was asked :

Do you agree that there is authority in the act to trade away an American payroll to serve an international purpose that would cause an injury to a payroll?

Mr. Dulles said :

Conceivably, yes. We do a lot of things that do great injury to the American people to serve an international purpose.

He goes on to say in that connection :

I do recognize that the competition, whether it is domestic or foreign, does injury, and it injures first the weaker and less economic units in our industry.

And he believes in it, just as you do.

I have great sympathy for your industry, the tobacco industry. I quit using it except for a few cigars. I quit smoking cigarettes. That makes no difference at all. It is an industry, and it is an important industry in this country.

And, to the extent that it is an important industry and fills an economic need, you think you are entitled to the American market. At least, you are entitled, and any other sector that you described of this tobacco industry is entitled, to protection to the point of the difference in the wages and standards of living and the taxes and the cost of doing business here and abroad in the chief competing nation.

I think they are entitled to that, and if they ever come before a committee of which I am a member, I will vote for it. But I don't think you have a right to sacrifice them, because you live in that area. If they need greater protection than that, the difference between the wages and the taxes and the cost of doing business here and the chief competing nation, then that is a matter to be taken up specially, like Congress took up one time the sugar industry.

Mr. LANIER. I would like to inject there, Senator, that we in the growing of tobacco are not requesting any protection.

Senator MALONE. I know that. But you said awhile ago that there are certain people who are not entitled to it down there. I don't know what they are doing. But you said, over in Egypt or someplace, you can grow that tobacco cheaper than they grow it here, therefore, they shouldn't be entitled to protection.

Mr. LANIER. I said, rather than to destroy the friendship and the trade with Turkey and Greece, with all the political implications involved, that I think it would be against the national interest to change that protective rate just to take care of a few people who have gone lately into this business of growing Turkish tobacco.

Senator MALONE. You send word to them that up to the extent of the difference in the wages and standards of living, the taxes and the cost of doing business here and in Turkey, there is one United States Senator that will stay with them.

Mr. LANIER. Well, it might cost these people as much as \$3 a pound, I know it is costing \$2, to grow that product which we can buy on the market for \$1 a pound.

Senator MALONE. I didn't say that. I said the difference in the wages and the cost of doing business between here and Turkey. Beyond that, if it is important you could take it up as a special thing.

But I believe that any man that says because you can produce a product cheaper in a foreign country using lower wages, and says that he is for that, is not in sympathy with the working man and the small investor in this Nation.

I am in sympathy with them, and I am for them.

Mr. LANIER. I would not consciously hurt any working man in this country, I come from working people—

Senator MALONE. Unless it was to sell tobacco?

Mr. LANIER. No, sir, I wouldn't hurt them for that. I do say, in this country through our know-how, and especially in the case of growing tobacco—we have competition, we have competition from Rhodesia, India, Italy, Canada and other countries which are growing flue-cured tobacco—but because of our know-how and because of the superior quality of our product we do not fear this competition, we meet it, we meet it all over the world. And we meet it in this country.

Senator MALONE. I have been in all these nations, and one of these days you are going to fear the competition, both in wheat, in cotton, in tobacco, and everything else, because whatever know-how you have can be hired and taken over there. You can hire anybody—perhaps not anybody—but you can get men down in the South who know as much about raising tobacco as you do, and take them right over there to the place where it can be raised cheaper.

Mr. LANIER. They have done that.

Senator MALONE. Of course. And they can whip you to death, just give them a little time.

Mr. LANIER. I am bound to disagree with you on that one, Senator.

Senator MALONE. We will let that ride. But what you have said today is that what you want to do is increase the imports in other areas of our industry here in order to sell more tobacco. That is what you have said, regardless of whether or not they need more protection than that difference in the wages and living standards and the taxes and the cost of doing business here and abroad. That is really what you said in your statement.

Mr. LANIER. You are putting words in my mouth that I did not intend to say if I did say them. What I am saying is that we would like through reciprocal trade agreements—

Senator MALONE. Did you ever hear of any reciprocal trade phrase in this act? Is that reciprocal phrase in it, and does it operate that way? Do you know anything about what these foreign nations do with which these trade agreements are made?

Mr. LANIER. It has operated in the case of tobacco, where we have been able to secure findings in the tariff rate for tobacco going into England—I think it was at Geneva—

Senator MALONE. I don't think England produces any tobacco, do they?

Mr. LANIER. Not in England, no, sir.

Senator MALONE. Where do they produce it?

Mr. LANIER. In Canada, Rhodesia, South Africa, Australia, in the Commonwealth, but not in the United Kingdom.

Senator MALONE. Do you have any indication of any limit of imports that might interfere with the imports from any part of the United Kingdom?

Mr. LANIER. Any limit to the imports of tobacco into England from other parts—

Senator MALONE. No, do you have any indication that if you interfered with the imports of tobacco from any other part of the United Kingdom that you might be limited somewhat sometime? Do you have any indication of it?

Mr. LANIER. We never have, because they can't sell against us in this country, regardless of any tariff.

In other words, we have no fear of the competition of Canadian tobacco—

Senator MALONE. I am not talking about that. I am talking about the tobacco imported into England from here. They import the tobacco from here, the addition of that they need after they get whatever they need from parts of their kingdom, don't they?

Mr. LANIER. No, sir. That is not the fact. They have been traditionally our largest customer since colonial days. In spite of the fact that Virginia-type tobacco is now being grown in Rhodesia, India, and Canada we still sell them more tobacco than they buy from all other people combined.

Senator MALONE. Do they buy what they have to sell from Rhodesia?

Mr. LANIER. They do not buy all the Rhodesian tobacco, no.

Senator MALONE. Where does it go?

Mr. LANIER. It goes to the world market—Australia, South Africa, continental Western Europe—

Senator MALONE. In other words, they have no trouble in selling it?

Mr. LANIER. They have some trouble in selling all of it, because they are out there in competition with our tobacco.

Senator MALONE. Then why do you say, if you have all this good product, and you have no trouble selling it, why do you say that you are for something that will allow the President of the United States to do something that will decrease the employment in one industry here so you may get the money abroad to buy more of your product?

Mr. LANIER. Well, we will take the case of France, Senator. France operates on a tobacco monopoly. There is no duty on tobacco that goes into France. But the tobacco monopoly earns the revenue for the Government by the profits they make for their product.

Now, they buy very little of our tobacco—

Senator MALONE. Where do they get it?

Mr. LANIER. They produce a large amount themselves. They also get some from other sources, from India, Rhodesia, Brazil, from various countries.

Senator MALONE. Brazil raises tobacco?

Mr. LANIER. Brazil does raise tobacco; yes, sir. Now, we would like, in the case of France, for example, to find some articles—French gloves, maybe, or French wine, or something else—which because of a lowering of our tariff rate on the articles they could find a new or increased market in the United States—something that could be sold over here which would not affect adversely the market for our domestic goods—and in return we could sell them more tobacco.

Senator MALONE. I understand what you mean. And in the wine, you are merely curtailing the American market for the American wines. And also the gloves. Gloves are made up in New England and other places, and the glove people have been down here.

That is exactly what you are advocating. I understand it perfectly. But, I am not for it.

Mr. LANIER. I am advocating it where it does not seriously affect any other segment of our economy, and we think in such cases it should be done. Now, in the industry—

Senator MALONE. What is this whole picture where tobacco fits in so importantly?

Mr. LANIER. I mean the whole picture of security in this world struggle that is ahead of it.

Senator MALONE. Is tobacco a security product?

Mr. LANIER. No, it is not. But the money we get for it is quite important in the Nation's economy.

Senator MALONE. Well, is the money we get for gloves important?

Mr. LANIER. Yes.

Senator MALONE. And you would displace it if you brought French gloves in at cheaper prices, made by cheaper labor?

Mr. LANIER. We would think that any number that is brought in that would not to a substantial—I believe that is the word they used—

Senator MALONE. Seriously?

Mr. LANIER. Seriously injure a segment of the industry, could be absorbed without serious injury to that segment.

Senator MALONE. There have been several decisions here lately. One of them is in the mining industry in zinc and lead, where the President apparently didn't think there was serious injury, but about 90 percent of the boys are out of work. So when it is a question of one man or one group in the Government on an arbitrary basis of determining whether there is injury or not, no principle involved, just on an arbitrary basis, don't you think there is a very grave danger of hurting industry and employment in this Nation?

Mr. LANIER. I think that under the limitations in the law a remedy is there.

Senator MALONE. What is the limitation? What are the limitations?

Mr. LANIER. Well, the escape clause under which—you know what I am talking about—whenever an industry is threatened with serious injury and they can show it to the Tariff Commission, the Tariff Commission recommends that the duty be raised on the competing article. These recommendations are submitted to the President. And while he is not required under the law to carry out the recommendations, I think that we could depend upon the President, even the people who advise him, to make a fair decision.

Senator MALONE. Well, the fact remains that it is entirely up to the President or his group.

Mr. LANIER. The responsibility is on the President.

Senator MALONE. As to whether he accepts the Tariff Commission's recommendation.

Mr. LANIER. That is my understanding, sir.

Senator MALONE. And you do understand that he rarely does?

Mr. LANIER. In some instances I recall that he has. In the case of the watch industry he raised the tariff rates to protect a segment. I am not familiar with all of it.

Senator MALONE. I say rarely. I think you will admit that he takes the advice of the Commission rarely. He did take it a couple of times, and that is all.

Mr. LANIER. I really couldn't tell you about that, sir.

Senator MALONE. In other words, you do leave it to the President of the United States by an arbitrary decision to decide whether to take the recommendation of the Tariff Commission on serious injury to an industry, and you are satisfied with that?

Mr. LANIER. I am satisfied to leave it with the President.

Senator MALONE. But you understand that he is the one who makes the final decision without regard to whatever the Tariff Commission does?

Mr. LANIER. He is the final arbiter, yes.

Senator MALONE. Do you understand these extraneous organizations such as the General Agreement on Tariffs and Trade at Geneva, what they have been doing for the last few years since 1947?

Mr. LANIER. Senator, not enough to comment on honestly, I do not.

Senator MALONE. I appreciate that.

Mr. LANIER. I am down working in tobacco, trying to sell more tobacco.

Senator MALONE. They don't let anybody know what they are doing.

Mr. LANIER. They haven't let me, and so I couldn't tell you.

Senator MALONE. I will tell you this much—and this has never been doubted—that under the Trade Agreements Act—some think it is legal, some say they don't think so—Mr. Taft thinks it is, he says he thinks it has all the sanction that it needs in the present act, and it certainly will have if we pass this act—34 nations get together over there at Geneva—it was in the general area that you and I served in 1917 or 1918—and they sit down with our markets in the pot and divide the markets with the nations of the world.

Now, if this act did not renew it, our markets are no longer in the pot. So the things that we have done in the past would still be in full force and effect, any trade agreements made by the Secretary of State or the President, until and unless the President of the United States serves notice for cancellation of that trade agreement on that country. But they couldn't make any more trade agreements.

In other words, the sucker has gotten up from the game, and there would be no more game. You understand that, don't you?

Mr. LANIER. I understand the terms you are talking about.

Senator MALONE. Yes, you understand the game, you have seen many of those games when payday comes, but if the fellow that has won the money goes to town, the game is over, isn't it?

Mr. LANIER. That is right.

Senator MALONE. That is the way it is with the General Agreement on Tariffs and Trade.

Mr. Lanier, I think you have made a good witness. I think you have made yourself very clear. I personally appreciate your coming up here. I want you to know I sympathize with your industry, but I do have to say—I think I should have now with 30 years in the engineering business, and this is the ninth year steady in this thing—I came here mostly on account of this thing—that I think the Trade Agreement Act is destroying the workingman and small investor of this Nation.

Mr. LANIER. I hope I have been fair, I certainly want to be, and I want to tell you I appreciate the courtesy of the chairman and the Senator from Nevada.

Senator MALONE. If I have been any other way I apologize, because I recognize in you a similar individual. And I appreciate your coming up here.

Mr. LANIER. Thank you, sir.

Senator LONG. Thank you, Mr. Lanier.

A. H. Jones, vice president in charge of the export division of the Gardner-Denver Co.

STATEMENT OF A. H. JONES, VICE PRESIDENT IN CHARGE OF THE EXPORT DIVISION, THE GARDNER-DENVER CO., NEW YORK, N. Y.

My name is A. H. Jones. I am vice president in charge of the export division of the Gardner-Denver Co. I joined this organization in 1927.

At President Eisenhower's news conference on Wednesday, March 16, 1955, a reporter asked the President if he would care to comment on the Senate's action on the tax bill, and the President replied, "Would I be permitted to say, 'Hurrah'?" If H. R. 1 is passed, and someone should ask me to comment, I would borrow the same expression. In order to export, it is necessary to import, and, in my opinion, to work out an equitable international trade policy is essential.

The Gardner-Denver Co. has just published its 95th annual report, as of December 31, 1954. Our manufacturing plants are located in Quincy, Ill.; LaGrange, Mo.; Denver, Colo.; and Grand Haven, Mich.

We have over 3,000 employees.

The total volume of business done by the Gardner-Denver Co. during the year 1954 amounted to \$37 million. The amount paid in Federal taxes during 1954 totaled \$3,720,000. Wages and salaries paid to our employees amounted to a total of \$13 million.

The Gardner-Denver Co. manufactures the following products: Pumps, air compressors, rock drills, and pneumatic tools.

Sales are made to the following industries: Oil, mining, contracting, and industrial manufacturers.

The foreign business of the Gardner-Denver Co. comprises approximately one-third of the total volume of sales.

The restrictions imposed today by foreign governments, because of dollar shortages, are definitely going to affect adversely the export

sales volume of our company. These restrictions are well known, and include:

- (a) Import quotas.
- (b) Import licenses.
- (c) High tariffs.
- (d) Nonconvertibility of currency.

Sales made by the Gardner-Denver Co. in foreign markets also affect our suppliers, in that, during 1954, for example, over \$15 million was paid to the suppliers in the United States by our company for materials, supplies, and services. Gardner-Denver Co.'s exports sales volume, therefore, directly affects the volume of business that our suppliers can provide to us.

If we are to maintain our present export position, and to endeavor to increase our export sales volume, I believe that it is vital that other countries not be denied the opportunity of earning the dollars necessary for the purchase of products manufactured in the United States.

The Gardner-Denver Co.'s policy to date has not favored an overseas manufacturing program, since it has been our desire to expand our business in the United States and sell our merchandise for dollars from the plants that we already have, always striving to increase the volume of business in these plants. This, of course, affords us the advantages of expansion and results in an increase in the number of employees, the purchase of more materials in the United States, and the consequent increase in the amount of taxes paid to the United States Government.

With the restrictions encountered today in the export markets, our possibilities of selling abroad are declining. In view of the proportion of our total volume that is going into the export market, this would necessitate a reduction in the number of our employees, a decrease in purchases of materials, supplies, and services, and, as a result of our smaller production, a reduction in the amount of taxes paid by our company.

If we must continue to operate under all of the restrictions imposed by the various foreign countries at the present time, and under the prevailing conditions of nonconvertibility of currency, it would seem that our solution would have to be by expansion overseas, rather than expansion at home, thus curtailing our activities in the United States, as previously mentioned. It is obvious that, if we manufacture wholly in the United States, we must pay for our labor, materials, supplies, and services in dollars, and that our products must be sold for dollars. If there were free convertibility of currency, we should not be in such a difficult position. With nonconvertibility of currency, however, in addition to all of the restrictions imposed in other countries, we find it increasingly difficult to maintain our position in foreign markets.

While we realize that there is no complete solution to all of these problems, nevertheless, we are convinced that the policies covered by H. R. 1 will alleviate conditions to a considerable degree.

Senator LONG. After hearing so many statements about people going out of business I was about to picture you shutting down; perhaps and going out of business completely and into agriculture. I take it that yours is one industry where you feel that reductions in tariffs and

restrictions on trade would actually make it possible for you to expand production—perhaps sell more and provide more jobs.

Mr. JONES. That is the way we feel about it. In other words, we believe—we aren't worried about overseas competition, overseas prices, overseas labor, we are only worried about the restrictions that are imposed upon us as manufacturers in the United States.

Senator LONG. What about the prospect of someone in Japan or Germany undertaking to produce a competitive product?

Mr. JONES. Our largest competition today comes from England and Sweden. There are German manufacturers and Japanese manufacturers of the type of products that we make.

I was in Japan in 1953, in July, to attend a machinery exhibition in which a great many of the type of products that we manufacture were exhibited. The Japanese mining industry has seen fit to purchase a fairly sizable amount of commodities from our particular company for their mining industry, allocating some of their very short dollars for the same.

The trouble that we encounter, as I said, is that we are not looking for protection against the foreign manufacturers in the United States, what we are looking for is an opportunity to compete with the foreign manufacturers in another foreign country.

Let's take another country—Australia—as an example. For many years we were very successful in selling a certain amount of our products to the Australian mining companies, but due to restrictions that are built up by the Australian Government, most of that business is going either to Sweden or England.

The opportunity that we are looking for is an opportunity to compete with the English and the Swedes in the Australian market.

Senator LONG. Do you think you can meet the price of the English and Swedish and others that might have lower wage standards and standards of living?

Mr. JONES. We don't try to meet the price. We meet the competition by having a better quality product, by having our parts interchangeable, and so forth. Our prices are much higher than those of the English and Swedish products.

Senator LONG. And anyone who wanted a good product would buy yours, you think?

Mr. JONES. That is right. We have a drill that will sell for \$400 that can be bought in England or Sweden for not much more than \$325. But there are a lot of places where we could sell that drill for \$400 because of the way we manufacture.

But with the restrictions that are imposed on us by these foreign governments, of course, we are sometimes shut out. It isn't the price that our foreign competitors sell for that we are worrying about.

Senator LONG. One other thing I wanted to ask you about. I have been rather distressed to see that our country wasn't participating in international trade fairs. I attended one in Vienna, and the Russians put on the biggest show there.

Mr. JONES. We also exhibited in that fair, the one you attended, last year.

Senator LONG. I was there 2 years ago. Were you at the fair last year?

Mr. JONES. I wasn't there, but we had an exhibit, and a man from our company was there.

Senator LONG. I am delighted to hear that. I was rather distressed to see our country letting Russia have her way at those fairs.

Mr. JONES. There is going to be a big fair in Tokyo May 13 of this year, and we have approximately \$150,000 worth of machinery on the way for that fair.

Senator LONG. Your company alone?

Mr. JONES. That is right.

We exhibited at the Paris Fair, the Milan Fair, the Austrian Fair, the Turkish Fair, the one in Istanbul, the Essen Fair in Germany—I was there last September when that fair was on—we do a great deal of that.

Senator LONG. I have seen these automobile shows here in the United States when the automobile companies bring out the new models. They always get the largest hall they can find—in Washington they take the Armory—and they have cars of all makes, sizes, and shapes all over the place produced by American industry. The public turns out to see them, and they really have a grand time seeing all those automobiles.

But knowing the kind of shows we put on in this country, I was distressed to see that we were not participating in these other fairs. I am delighted to hear that we are there now.

Have you been to those fairs since the Americans started participating in them?

Mr. JONES. The only fair I have attended myself was the Essen Fair in Germany last September. But someone from our company attended all the fairs all over the world. We have a great many representatives working for us, we have a man living in Paris, we have a man living in Zurich, we have one in Northern Rhodesia, Johannesburg, and Sidney, Australia, and Manila. We have someone from our company attend each one of those world fairs.

Senator LONG. How do you think that your presentation compares with Russia now?

Mr. JONES. Well, the first fair that I heard of where the Russians had introduced any equipment similar to ours was the fair in Vienna last year. There was only one type of product, which was called a mine-car loader, that they exhibited of the type that is manufactured in our industry here.

They compared favorably from the standpoint of the looks of the machine, a lot of the machines compared favorably from the standpoint of the looks at the Essen Fair in Germany also.

Just exactly how they might perform is a different matter. But from the standpoint of looks they had a competent display.

Senator LONG. I had in mind the overall situation. How do you think our displays in these fairs in which we are now participating compare with the displays that the Russians are putting on?

Mr. JONES. I couldn't honestly say, because I don't know what kind of a show Russia puts on. But I can say this, that a great many manufacturers, of which we are one, go to great expense and considerable detail in getting the proper booths and displaying our equipment in operation, not just putting it there for someone to take a look at, but displaying it for operation as far as it is feasible in the fair of a given country.

Senator LONG. I see.

Thank you very much.

Senator Malone?

Senator MALONE. Mr. Jones, you have been frank and straightforward in your statement, and it seems to me you are a credit to your company. Tell me, are there any tariffs imposed on any imports of the type of equipment that you manufacture?

Mr. JONES. I honestly don't know. I would guess that probably there might be a small tariff in the United States on pneumatic tools, whether it covers rock drills I don't know, or pumps or air compressors. And it wouldn't make much difference to us whether there was or was not.

Senator MALONE. If it would be of any interest to you, you are protected to a certain extent in many of the things you manufacture.

I think it would be well if you looked that up, because from your talk I would take it for granted that you are not in favor of having any protection at all, and maybe that is your attitude. Is it?

Mr. JONES. For our particular industry, yes.

Senator MALONE. You would rather have free trade as far as tariffs or no duty or anything on anything you manufacture?

Mr. JONES. That is right.

Senator MALONE. That is a very fine attitude. Now, I am very much interested in what you say about the restrictions on trade in these foreign countries. I think you have done about as good a job at enumerating what they are as I have ever seen before this committee—import quotas, import licenses, high tariffs, nonconvertibility of currency, and of course, they all point to one objective, and that is to prohibit imports, isn't that about right?

Mr. JONES. That is right, sir.

Senator MALONE. Now, during all this time—how long have you been in this business?

Mr. JONES. I have been in this particular business since 1927, but I have only been in the export side of our business since 1947.

Senator MALONE. Well, you have been generally familiar with it since 1927?

Mr. JONES. That is right.

Senator MALONE. That means since the 1930 Tariff Act was passed, and since the 1934 Trade Agreements Act was passed?

Mr. JONES. In those days I was a serviceman for the company out on the Boulder Dam operation.

Senator MALONE. I was the State engineer in Nevada and visited that operation from top to bottom once a week. Frank Crow was running the job.

Mr. JONES. I knew Frank Crow.

Senator MALONE. And I ran the Central Valley project, I was consulting engineer on that job after I resigned as a State engineer in Nevada.

Now, isn't it a fact that these countries, many of them, impose duties and tariffs for revenue purposes?

Mr. JONES. Definitely so.

Senator MALONE. And of course we have no control, and should not have, over what they do or how they get their revenue. Many of them do not have the tax structure that we have, so they can't reach

that last little stenographer or chicken raiser like we can, so their chief revenue, at least one item of their chief revenue, is import tariffs and duties, is it not?

Mr. JONES. That is right.

Senator MALONE. Then, from that standpoint, would you think that you would have very much chance, regardless, if you could not do it in 21 years, do you think that you would have very much chance of their changing their minds?

Mr. JONES. Well, Senator Malone—

Senator MALONE. Do you think, really, that they would change their minds in the future about continuing the operations, considering that there have been 21 years; do you think they would?

Mr. JONES. Well, I would say that we would have to continue to work at it, and I do not believe that it would be wise to abandon it; just because something cannot be accomplished in 21 years, that does not mean that eventually you will not be able to accomplish it.

Senator MALONE. Well, beyond our lifetimes—

Mr. JONES. Well, if we keep pecking away at it—

Senator MALONE. Well, yes; and I have been pecking away at it, certainly, and I think that we all ought to do that, and I think that it is very commendable on your part.

Now, coming down to these import licenses. Why do you think that they have these import licenses?

Mr. JONES. For their own protection.

Senator MALONE. In other words, if they make a competing product, and even if there was no duty, still you would have to go to some joker in the Government to get a permit for that product, of course, would you not?

Mr. JONES. Well, we used to have to go to a lot of jokers in our own Government to get an export permit.

Senator MALONE. Yes, you did, and that is just as bad, but I still go back to this question, that you have to get this permit from some joker, and probably this individual will be getting his orders from somebody higher up, but regardless of what it is, whether it is this joker or somebody over him, and it very likely is somebody over him, you just cannot move until you get that permit, can you?

Mr. JONES. Well, you cannot move, but I do not think that that particular interpretation of it is correct, Senator.

Senator MALONE. Well, I know that it is in some cases; it may not be in all of the cases.

Mr. JONES. The way I see it, Senator, every country has a certain amount of dollars that they have which they can spend to bring in the things they want, and I would rather consider it on the basis that the Government officials of those countries are sort of equal to the Government officials of our country, and those Government officials want to spend those dollars for the benefit of the country, rather than buying Cadillac automobiles or silk hosiery, that is, they might want to bring in locomotives and rails, and those other things—

Senator MALONE. And that is the reason that they have those quotas, because they do not want the automobiles and silk stockings for them?

Mr. JONES. I don't understand you.

Senator MALONE. And I don't understand you, either.

Mr. JONES. I don't understand your question.

Senator MALONE. Well, you have to get the export license, you have these quotas, and you have to go there to get some permission on some of these products, to import them.

Mr. JONES. I assume so; I would not know.

Senator MALONE. Well, and that being so, would you assume that it was because they did not want the women to buy silk stockings or the men to be buying automobiles?

Mr. JONES. Senator, I don't believe I understand what you are driving at.

Senator MALONE. Well, you have to go here—if you have quotas on imports—

Mr. JONES. In other words, we have got a quota on something coming into our country; is that it?

Senator MALONE. Well, we don't have those quotas because we don't want them to buy some silk stockings—

Mr. JONES. Well, we have some quotas—supposing that you take candy, you have to have peanuts to go into that candy, for instance, and when you have those quotas on peanuts I would assume that they must lower the bars, in order to get more peanuts, because the candy industry needs—

Senator MALONE. Well, of course, you know—and I am sure that you do because according to your own statements you have been around quite a little bit—that tariff duties do not prevent imports, that they do bring it in when they need it; but if you have a quota and the quota is filled, and that is what you had on the peanuts, then somebody in our executive department, given that authority by Congress, can lift or let down the quota if he wants to; you know that, don't you?

Mr. JONES. That is right.

Senator MALONE. According to his own judgment.

Mr. JONES. That is right.

Senator MALONE. And, of course, I am not for that, but I don't know whether you are or not. I want to get to that pretty soon, too.

Now, that tariff on peanuts is supposed to be put on so that it makes up the difference in the cost of raising peanuts here and the cost in competing countries, and the peanuts will come in when we need them and they will not come in when we don't need them, and if it does bring them in on your level of costs—

Mr. JONES. Of course, the thing I believe, Senator, is this:

I believe in equal competitive ability, and I do not believe in restricting someone, I do not believe in undercutting someone, and I do not believe in throwing anyone out of a job.

I think that we are or we ought to be astute enough in this country to regulate our affairs so that we are in equal competitive position with them.

Senator MALONE. Well, what you are talking about is fair and reasonable competition.

Mr. JONES. I hope that is so.

Senator MALONE. Well, don't you understand that that is exactly how the tariffs were laid down in the 1930 Tariff Act; they were laid down on the principle of fair and reasonable competition, that is, taking into consideration the differences in the fair costs, the reason-

able costs in this country, and the fair and reasonable costs in the chief competing countries abroad, the wage differences, and the differences in the standard of living; taking those things into consideration to make it competitive, do you not realize that that is exactly what the 1930 Tariff Act was laid down on?

Mr. JONES. It might be a little bit like this, Senator, that if we in the United States had everything we wanted, if it was not necessary for us to consider anyone else in the world about anything, if we had all of the raw materials that we could possibly use, then we could draw a barrier around ourselves.

Senator MALONE. I am not talking about barriers, and I have not heard anybody say anything about barriers, and a competitive thing is not a barrier.

Mr. JONES. You must have trade among people because you cannot have everything, and there are a great many commodities in the United States that we do not have.

Senator MALONE. What are they?

Mr. JONES. We do not have much chromium, we do not have much uranium; at least we did not have much uranium to start with, did we?

Also, at one time we needed a lot of copper from outside; there was one time when we did not, of course.

Senator MALONE. Where did we get this copper and chrome?

Mr. JONES. Well, I think that you know the answer to that question as well as I do, Senator.

Senator MALONE. I do know it, and probably better than you do.

Mr. JONES. You probably do.

Senator MALONE. Well, and so what I am saying now is, that we are getting into a business that is rather difficult to be talking about unless you do know something about it, because I believe that you can be self-sufficient in the Western Hemisphere if you want to, and you don't have to cater to Europe and you don't have to cater to Asia, and you don't have to cater to Africa.

Mr. JONES. Well, the Western Hemisphere includes South America, doesn't it, Senator?

Senator MALONE. And when you become dependent on the offshore areas, when you have to cross major oceans for your chromite, your manganese, your tungsten, and I understand that there are 50 or 60—well, 77, to be exact—commodities that you have to be dependent on, that you have to cross major oceans for; those are things that make it so that you are at the mercy of these people, and anybody that starts a war can cut you off.

Mr. JONES. Well, you mentioned the Western Hemisphere, Senator, and, as far as being dependent on the Western Hemisphere, to me, the Western Hemisphere is Alaska and the United States and Canada and Central America and Mexico and South America and—

Senator MALONE. That is right.

Mr. JONES. And we are doing considerable trade in South America and we do not have the same conflicts, and I see no damage.

Senator MALONE. You say no—

Mr. JONES. It is not the same down there—

Senator MALONE. Perhaps you are right, but if you have all of these tariffs for different purposes, tariffs of different characters, so that—well, a tariff, although it might be either too high or too low, and it

might not be exactly correct, still they were executed on a differential of the fair and reasonable basis, were they not?

Mr. JONES. Yes.

To go back to this tariff arrangement, the tariffs have been put for the purpose of raising money in France and——

Senator MALONE. I know, but first, and then we can get into these other fields, let me ask you this, again.

For 75 years until 1934 we always had had a tariff on certain products. About 50 or 60 percent of all products could come in without tariffs because they were not seriously competitive, but any tariff that we fixed was pointed toward a fair and reasonable situation, was it not? In other words, they might have made a mistake and made too low a duty or too high a duty, but nevertheless the principle was the principle of a fair and reasonable basis, was it not?

Mr. JONES. I do not know, but I would hope so, and I am hoping the same today——

Senator MALONE. Well, that is exactly it, and the 1930 Tariff Act directs the Commission to operate on that principle. You are aware of that?

Mr. JONES. If you tell me it is that way, I will agree.

Senator MALONE. Well, you are in this business and you have protection—you should be aware of these things, and if you are not, then I do not see how you can come here and——

Mr. JONES. Well, in 1932, Senator, I don't think that you were any more aware of the tariffs of the United States than I was. At that time you say you were working as an engineer in Nevada. I was working in Nevada, also.

Senator MALONE. No, I was not aware of that. But I was aware when they passed the 1934 act that they were going to close the mines, and I said so. And I say now that they will destroy that industry and all of the other industries in the United States, and the avowed objective there is to destroy the workingman in America and the small investor, the investor who cannot go out to foreign nations to operate. And it is going to do that, in my opinion. This thing right here is going to do that.

And now they have dug up Yalta, and I guess that there is no question but what we were double-crossed by the people that did that—and those people are either gone or they are buried——

Mr. JONES. With the exception of one.

Senator MALONE. Which one is that?

Mr. JONES. Mr. Churchill.

Senator MALONE. Well, he is not going to do much more damage.

The point that I am making and the reason I am mentioning it is that there was a mistake that was made there, and it can be corrected by the President or the Congress. Right now it is being used for a smokescreen, for fear that the things that we are doing here now will do more harm to the next generation than they did at Yalta.

But, let us get back on this subject, and let us stay on it. What I asked you was this:

Wasn't it the principle in the 1930 Tariff Act to use a basis of fair and reasonable competition and determine the difference between the cost of the article here and the cost in the chief competitive foreign country, and recommend the tariff on that basis? Isn't that right; wasn't that the principle?

Mr. JONES. That is right.

Senator MALONE. Well, was it not changed in 1934 to take in all of these other factors, such as the good of the entire economy here and the political situation here and the political situation in Europe and in various other sections of the world; isn't that what they did?

Mr. JONES. Well, unfortunately, we seem to find ourselves in the position today, and I regret it very much, that we are apparently not able to stand alone in the world, and apparently—

Senator MALONE. Now, I didn't ask you any question like that, and if you will just stay with the question that I ask you, maybe we will get along in this business of interrogating.

Now, I realize that you are a one-worlder, and I realize that you are widely traveled and that your experiences should be valuable to you, but let us get back to this 1934 act.

In that 1934 act, didn't we change the policy of fixing duties on imports on a basis of fair and reasonable competition, to a basis of considering other factors in the 1934 act?

Mr. JONES. Well, that is right.

Senator MALONE. And leaving it to the President of the United States and not to the Tariff Commission to determine that?

Mr. JONES. That is right.

Senator MALONE. And you believe that is the right principle?

Mr. JONES. I see nothing wrong with it.

Senator MALONE. And you believe and agree with Mr. Dulles when he outlined that it is necessary to do some harm to some industries in order to carry out the spirit of this act?

In other words, he said in so many words that if they were prevented from doing harm to these industries, then that makes this act—well, I will use his exact words here, if I can find them—"automatically unworkable," that is what he said.

I think we have to take into account every injury we do to existing industries in this country and not make one of these agreements if it did hurt one of these industries—what he said, exactly: "I think it becomes automatically unworkable." Do you agree with that?

Mr. JONES. I did not read Mr. Dulles' statement.

Senator MALONE. I am reading it.

Mr. JONES. Except as you have read it, and also, if you hurt one industry and help another, and if the end result is the benefit of everyone in this country, I cannot see anything wrong with it.

Senator MALONE. Well, it would not be of benefit to those people working in that industry that was hurt, would it?

Mr. JONES. Well, don't we operate this country for the benefit of the most people in this country rather than for a given individual or a given group; don't we operate on the basis of benefiting the most people?

Senator MALONE. Yes. And I will ask you about that.

Now, first, you see, there was no criterion in the 1930 act except that it was to even the competition, that is, on the basis of fair and reasonable competition.

It did not say that the Tariff Commission should take into consideration the economic and political factors in this country between various industries, and it did not say that it should take cognizance of any misunderstandings with some foreign nations.

And also, when it comes to this business of sacrificing our industries in order to buy up these foreign nations, I feel that it might be all right if they stayed bought, but if you have to buy them all over again every little while, then I feel impatient.

Mr. JONES. I agree with you 100 percent on that.

Senator MALONE. So if you could buy up these people and they would stay bought, that would be a different thing.

Now, we did not tell the Tariff Commission that they could buy up certain countries and buy influence and pacify people. The Congress laid down a principle, the one principle of the work of a tariff or a duty being to even the competition for the development of the whole country, and they did not say it was because some broker in New York or even in Denver, Colo., could sell more machinery or more tobacco or more something else if you allowed more minerals or more clothespins or more glass and crockery to come in. They did not say that the Commission would do that, but they have said that the President could do it, and that is what they are doing. Do you agree with that?

Mr. JONES. Well, let me put it this way: It would not make any difference to me whether the President did it or the Congress did it or the Commission did it, as long as we have someone running it, somebody astute enough to study the problem for the benefit of everyone concerned.

Senator MALONE. Then let me ask you this: You are in business. Do you think there is any one mind in the United States or any one group of minds that can sit down and determine these factors and determine on their own individual judgment what is best for this country?

Mr. JONES. Well, you cannot do it as a closed corporation, we have to ask help, and I am sure that the President and the Congress would have to have some advisers.

Senator MALONE. The Congress laid down the principle.

Mr. JONES. That is right, but they did not do that until they got some advice.

Senator MALONE. No, they did not, and they laid down the principle because the people of this Congress represent every precinct in the United States.

Mr. JONES. It should.

Senator MALONE. And Senator Long, there, represents every precinct in Louisiana, and I represent everyone in Nevada, and so we know what is going on in the United States of America.

Now, the State Department has its eyes on foreign countries, just as you have your eyes on selling machinery.

We had a witness awhile ago who wanted to sell tobacco. Well, I have all the sympathy in the world with the machinery business and the tobacco business.

But, talking about being in business, they had the greatest copper mill in the world in northern Chile. It makes me so surprised when I hear people say that we can do things better here because we have the know-how. Well, they built that mill in Chile and they are the best in the world, are they not?

Mr. JONES. They are the best, and it comes to the United States.

Senator MALONE. Why, of course, and down there you have 5 or 10

percent of the boys running it and the other 10,000 or 15,000 are low-paid workers—

Mr. JONES. And the copper is coming right back to the United States.

Senator MALONE. And, of course, we in the United States can be the best, even in the copper production, too, if the United States has low-cost labor—and you will find that out to your detriment one of these days. I predict that for you.

Now, coming to this nonconvertibility of currency—and that is something that I have studied for quite a long time—what is the reason for the lack of convertibility?

Mr. JONES. Well, I do not think there is a country in the world today with a currency stable enough to be able to support convertibility.

England tried it previous to World War II, and the English handled nonconvertibility of currency—that is not exactly the word I want to use, but they were behind free convertibility of currency, they tried it and, as far as I can understand, the Germans began to disrupt that at the time of the rearmament program for economic reasons—but I would say today the reason for nonconvertibility of currency continuing is that no country in the world can afford to support convertibility because the soft currencies of the world would run for the hard currencies.

Senator MALONE. Well, don't you suppose that the fact that they try to spend more money than they make each year has something to do with it, and has had, and the manipulations to try to protect their own economy and—

Mr. JONES. I think that is absolutely right, and I would consider you as an absolute expert on the subject because your particular State has one of the greatest—well, as far as I know, your State is one of the greatest importing States that I know of, and I think that everybody tries to take a little advantage of the roulette wheels and the gaming tables, and so forth, and—

Senator MALONE. Oh, well, of course, I suppose that if you could not get a divorce there, then all of that gambling would—

Mr. JONES. Well, I don't know a lot about it, but there is a lot more there than that, of course, and—

Senator MALONE. It is not the principal industry, by a long ways.

Mr. JONES. I know that, but they do have a commodity there which is well regulated and well run, and which brings in a lot of income for a State with a small amount of money, and they think there is nothing wrong with it.

Senator MALONE. Well, I don't know whether there is anything wrong with it or not. I don't gamble myself; gambling to me is a great deal like drinking whisky. It is now an academic thing with me. But still if it is legal there, I will defend it.

Mr. JONES. And so will I.

Senator MALONE. But, as I say, I don't gamble, and on the question of whether it ought to be legal or it should not be legal, there is a lot of discussion all the time.

Now, if the people, when they write books about Nevada wrote about the other things down there, much more important and significant than gambling, if they wrote about those things, then nobody would be

reading those books. Nobody would read books about the electrical and chemical industries and about all of these great dams that they are building down there. They are not interested in reading about that or reading about the cattle industry or the mining industry or any other industry. That is something that is not spectacular——

Mr. JONES. They should go to Carson Valley——

Senator MALONE. Those things are less spectacular, and they would not make a very big story for Bob Considine, would they?

Mr. JONES. I don't know him, but I don't believe it would.

Senator MALONE. Well, he has a story in something now, *Colliers* I believe, although I have not read it—but people these days all write stories and they have to be sensational or they could not sell them. These other things in Nevada are not sensational, so they write about the divorces and the gambling and——

Mr. JONES. Well, I would prefer to think of the dams and Carson Valley, and so on, that you have there.

Senator MALONE. And maybe, coming to these 200,000 acres, if you could go to sleep and wake up 15 or 20 years from now, you might find that they would be irrigated out of Boulder Dam—now, I am not an expert in the gambling or divorce business.

Mr. JONES. I am not, either.

Senator MALONE. I have been married to the same woman now for 34 years, and I am not very much interested in that industry, but I am intensely interested in the development of the country to the extent of the water supply, I am interested in the development of the mining industry to the extent allowable, and I am interested in all of these other things that go to make up that State and its industries.

But I am not just interested in Nevada; I represent not just Nevada, I represent the people of the whole United States, and it is part of my job and it is up to me to see that the workingman in the United States, the whole United States, is entitled to the possession of his job on a principle that will develop the whole Nation alike and not just develop a bunch of waterfront brokers that take an override of 5 or 10 percent on everything that goes through the port, coming in and going out, and who do not produce anything; I am not in favor of that.

Mr. JONES. Well, let me say that there is not anyone taking an override on our business.

I was interested this afternoon about the statement made of someone, increasing the price and so forth. Perhaps, though being small, our company, small as we are, is perhaps able to watch it more closely than some others are, the prices and the practices all over the world, and our prices are not increased except by ocean freight, insurance, transportation, and duties applicable in the countries to which the goods go.

Now, the way we operate in some cases, we have found that to open—well, to operate in some places we have incorporated under the laws of—well, for example, Brazil, at Rio de Janeiro, where we have a selling organization——

Senator MALONE. Let me ask you this:

Do you assemble any of your machinery in any foreign country in an assembly plant?

Mr. JONES. Well, in only two places.

One is a very small plant, which probably employs about 35 men, in Canada, and the second one, we do some manufacturing of parts only, not assembly.

Senator MALONE. Where?

Mr. JONES. In Johannesburg, South Africa. And we have, I would say, about 20 or 23 on the payroll.

Senator MALONE. Well, when you put in one of these assembly plants, that helps you in the importation of that product, does it not, into that country?

Mr. JONES. No; not in the way we do it, Senator.

In Johannesburg, for instance, there were commodities sold there many years ago manufactured by our company in Denver, Colo., and we can no longer import them or import parts, and so, for the local protection of those using those, we have put in a small plant to make parts, and it is practically nothing but a headache and we are only doing it in the hope that the situation some day might reverse itself and we might be able to sell from Denver, Colo.

Senator MALONE. But it does help you in your business, does it not, and if you manufacture, then you can manufacture over there and—

Mr. JONES. Well, we have been fighting that ever since I have been in export, but we might be forced into that on the basis of trying to compete with the Swedish and English and Australian market, but we are not anticipating putting a plant in Europe and ship parts to this country, believe me—

Senator MALONE. Well, coming back to this assembly plant of yours, if you have an assembly and manufacturing plant, they would gradually make more and more parts and it does help you in your trade in that country, in getting your stuff there?

Mr. JONES. So far it has not; no, sir.

Senator MALONE. Perhaps I misunderstood you, but I thought you said it would in Johannesburg, that you said it did.

Mr. JONES. No; because we make no dollars in that operation.

Senator MALONE. I am not talking about dollars—

Mr. JONES. We will make a few parts in Johannesburg, no assemblies, no complete machines—

Senator MALONE. But if you imported the complete machine in there and your plant does make parts, then it would cost you less, and—

Mr. JONES. It would cost us more, plus the fact that they would not let us bring them in there.

Senator MALONE. Well, that is what I am getting at—

Mr. JONES. I am not sure I understand.

Senator MALONE. That is what a lot of American companies are doing, and I am taking now companies that are in the machine manufacturing business. They are putting in these plants and American money is being invested.

And, then, you are aware, of course—and it is in a bill—of the income tax situation when this is done. I hope that the bill does not pass, but there are many people who are in favor of it. When you invest your money in foreign countries it is provided that you can bring it in on the income tax 14 points lower and pay about 38 percent less income tax than if you made the money here.

Mr. JONES. That is true. We have had that experience—

Senator MALONE. You would be in favor of that, I suppose?

Mr. JONES. If we had an overseas manufacturing plant, why not?

Senator MALONE. Well, that explains your position perfectly. In other words, whatever benefits your company you are for, and I think that if I were president or vice president of your company, I would want it the same way.

Mr. JONES. Well, I would certainly say that the stockholders in my corporation would throw me out if I was not in favor of that.

Senator MALONE. Why, of course.

And, coming to the Standard Oil Co. of New Jersey, if I were in Mr. Holman's place, I would probably be arguing for it, too.

Mr. JONES. I appreciate very much, Senator, your ever mentioning the Standard Oil Co. of New Jersey and our company in the same breath.

Senator MALONE. Well, I am just talking about the principle. And I did not come into the Senate to displace the small-working man and destroy the small investor in this country, and—

Mr. JONES. I did not come here to displace them, either, Senator, and that is why I am here.

Senator MALONE. Well, I think the record is going to be perfectly clear why you came here, that you want to do anything you can for your company, and that the—

Mr. JONES. Well, why, certainly I have come here in favor of anything that increases our labor employment in the United States, that increases our volume, which increases our employees, and helps the economy of this country, we are in favor of that—

Senator MALONE. You did not quite hear me out. Even if it displaces workers and investors in other industries in this country, you are in favor of it if it helps your company, and you are in favor of displacing—

Mr. JONES. I cannot speak for other industries—

Senator MALONE. No, but you are in favor of it, regardless of what it does to any other industry?

Mr. JONES. Well, are you looking at us as a given industry or the United States as a whole?

Senator MALONE. Well, I am looking at every industry in the United States.

Mr. JONES. That is what I am looking at. I think that you have to balance all of the factors and that you have to work as a whole. You cannot just take the tobacco industry or the machinery industry or the pottery industry or the rug industry, you have to take it as a whole.

Senator MALONE. In other words, what benefits the overall economy you are in favor of, and do you think that doing that without regard to—

Mr. JONES. Let us put it this way, Senator:

Anything which benefits the United States of America, in which I happen to be born, I am in favor of.

Senator MALONE. And anything the President thinks benefits this country, in his judgment or in the judgment of his crew, you are in favor of?

Mr. JONES. Senator, do you think that the President of the United States, irrespective of whatever party he belonged to, would not do everything that he can to benefit the United States?

Senator MALONE. Now, sir, when you are talking about the President, I helped elect him, and I probably will try to elect him again, if he runs, but let me ask you this: Is there any human being who can comprehend every economic factor in this Nation? I do not believe so, and I am not in favor of giving that responsibility to any one human being.

Mr. JONES. Well, but, that human being has the possibility of calling in a group of people to help him.

Senator MALONE. And I do not think that any one group can. Not if they have to consider all of these political and economic factors and so on—and that is what we are talking about. We are not talking about having just one principle.

We had one principle in 1930, and for almost a hundred years before that we had the principle of evening the standards of living and wages here and the standard of living and the wages, the cost of production, of competing countries.

Now, that was for the protection of every industry in this country and every workingman in this country and every small investor, on that basis, not above that, but on that differential, and following that is what has built up the standard of living in this country.

That was to protect our industries, to protect the workingman, to protect the investor, and he knew that if his business was \$200 or \$2,000 or \$2 million, that it was protected. It was protected on a principle of that differential of costs and not on a principle where somebody can come down and say—

You have to show serious injury, or we are going to reduce that duty to the point where you cannot make this product and—

Nobody can do it under that principle, and that is the principle that I am talking about that we have now.

Now, I have got your viewpoint. It is all in the record, and it does not make any difference to you; you want to sell your machinery and you want to do away with those factors which—

Mr. JONES. That is not what I said.

Senator MALONE. Well, we will stand on the record as to what you said. You said you were for the Congress of the United States giving that power to the President and his group, to do that if in his opinion it helps the whole overall economy or helps some political situation in Europe.

Mr. JONES. And if it were out of the hands of the President and back in the hands of the Congress, I hope that they would be as astute, as well, in their judgment on those matters.

Senator MALONE. The Congress has never tried to put any factor into the protection except to protect our people, the workers of this Nation and the investors of this Nation on an equal basis and without discrimination.

Mr. JONES. Well, what is wrong, Senator, as I say—

Senator MALONE. And the Congress has never said anything about putting up a factory in a foreign land so that one particular machinery business—

Mr. JONES. Well, what is wrong, Senator, with a company such as ourselves having an overseas plant?

Senator MALONE. Well, you are increasing—when you have an assembly plant, it means that you—

Mr. JONES. We do not have an assembly plant; we are making parts for the machines there now.

Senator MALONE. Yes, of course, because you cannot get the machine in there; that is the reason, isn't it?

Mr. JONES. Well, what is wrong with a company such as ourselves, doing one-third of our volume overseas—in other words, do you object, for instance, that wherever I go to a country, I go to Australia or I go to Japan or Sweden or some place, and I sell a rock drill made by United States labor in a plant at Denver, Colo.—you have objections to that?

Senator MALONE. Well, my friend, if you have gained any such impression, and, of course, you have not, you are mistaken.

What I have said to you from the beginning, and what I am saying now, is, I am talking about protecting American labor and the American small investor on a principle such as is laid down in the 1930 Tariff Act, with no human judgment in it, no man who can come in and say, "We are going to trade your industry for some other industry," which is nonsense when you carry it through to its logical conclusion; but protecting your labor and your investor just the same on every other industry in the United States, on the basis of fair and reasonable competition, without having all of these other criteria in it. If it cost more to make your machines, if the duty had to be higher because of that difference in the effective labor cost—because, as you well know, some labor is not as effective as other labor is—I am in favor of all of that, and I am for the principle. But I am not in favor of following a salesman all around the world and saying, "We must help him get some machinery sold at the expense of some American workman's job," I am not in favor of that.

Mr. JONES. Wherein have I suggested that you were or I was?

Senator MALONE. Why, the testimony will show that you think it ought to be left to the judgment of one man whether a duty should be lowered on one industry, so as to trade that for another industry, because they think that it is going to be good for somebody in some foreign nation, that it will buy their friendship or help in some political situation or so that you can get them to convert their currency or do away with import licenses or something else—all of these things that have been done for 21 years, letting in all of these imports at the expense of—

Mr. JONES. Could we live without imports?

Senator MALONE. Nobody has ever suggested that we do. For 40 years we have had about $4\frac{1}{2}$ or 5 percent of foreign trade. All of that time we have had that $4\frac{1}{2}$ or 5 percent, and you do not have any more now.

If you just subtract the money that we give to these nations and the exports of the so-called machinery for national defense that we give them and which they store in warehouses in Europe and which will never come out unless the Russians take it out, if you subtract all of that, then you are right back to $4\frac{1}{2}$ or 5 percent.

Mr. JONES. Well, would there be anything wrong with their buying something with the money we give them, instead of just giving it to them, and—

Senator MALONE. Well, now, when you talk about giving it away,

I have voted against that. You see, I think that we should get quid pro quo. I am just against that business of giving away money without a quid pro quo, and I started being against it when I arrived in the Senate in 1947, so I agree with you on that, that we should not just give it away.

Mr. JONES. Well, we are certainly agreed on that; and the way I can visualize it and put it is, as I have stated before, I would like to see a fair and equitable arrangement all the way around.

Senator MALONE. Why, of course. When you get right down to it, you are like everybody in this Nation; you want to have a fair and reasonable competitive protection; that is what you would like, when you come right down to it.

Mr. JONES. I want to compete on a fair basis. I do not want to put up some kind of a law here to protect some inefficient industries.

Senator MALONE. And so, I think that when you come right down to it, to what you mean, then I think that that is what you are for and everybody is for—trade with every other nation within fair and reasonable competition; isn't that it?

Mr. JONES. That is exactly the way, subject to what I just said.

Senator MALONE. That is all, Mr. Chairman.

Senator LONG. Mr. Seakwood, will you take the stand again for completion of your statement.

Will you proceed, Mr. Seakwood.

TESTIMONY OF HERBERT J. SEAKWOOD—Resumed

Mr. SEAKWOOD. After explaining that we were from Utah and that 50 percent of our products went to export and served the mining and chemical and metallurgical processing industries, I stated that we were already competing with the type of competition that the opponents of this bill fear.

We have been doing so under the most adverse conditions because, in addition to the tariffs imposed by foreign countries, in addition to the dollar shortages and in addition to the easy credit terms, we were facing the lower costs of our foreign competitors. However, we have been doing successfully; our rocker shovels (mining equipment) are widely known and have 80 percent of the world market.

I believe I pointed out that I feel that if we had some fair means of appraising the relative impact of the pros and cons of this bill, we would find that there would be a greater number of people that would be adversely affected by this bill being defeated than not.

As a private person, as well as an officer of my company, I feel that the role that we, our country, play in international leadership and in our foreign alliances is possibly the most important reason why this bill should be passed now; otherwise it would be tantamount to shifting of our ground, which would undermine a great many of the treaties now in force and certainly jeopardize the fulfillment of many of our foreign policies which depend for their success to a large extent on the full cooperation of the community of free nations. This I pointed out previously.

I also pointed out that from the testimony I have access to, it would appear to me that all of the public routes, including the press and journals, and a preponderance of the labor groups and other organi-

zations who have had no ax to grind in connection with this bill one way or the other, have given their unanimous voice in support of its passage.

Senator LONG. That is a very good statement. I will want to ask you a few questions, but I would prefer that Senator Malone go ahead now. I will take my turn later.

Senator MALONE. Mr. Seakwood, where do you live, Salt Lake City?

Mr. SEAKWOOD. No, sir; I live in New York.

Senator MALONE. And in the city of New York, of course, everything is so high, and being where it is, why, you can look out of the windows and you can almost see to Europe. It is a good deal easier, apparently, to see Europe than it is to see these places on the Hudson River.

I want to compliment you on your statement, on your testimony and your statement and your manner. I think they are very effective and I think that you have made out a good case for what you believe. You have made a good-sounding statement for what you believe.

Now, I want to ask you a question, so that we can get down to what you really believe, so that we can get down to bedrock finally and determine just what you believe, sir.

You theorize in your statements, and your speech is mostly theory, if I may say so, and a well thought out theory. I think it has a very reasonable ring, in words, even when it comes to those groups that you say are for this bill.

Now, you can take the Daughters of the American Revolution and the local labor groups, the small ones throughout the country, that do not agree with the top labor leaders—I think you have heard this afternoon one of the labor men testify—

Mr. SEAKWOOD. Well, during the course of that union officer's testimony the fact was brought out that he represented an isolated unit of the A. F. of L. and that the A. F. of L. fully supported this bill.

Senator MALONE. Well, I will tell you exactly what the A. F. of L. stated by way of a resolution for the last 15 years, and I have talked with them and I know practically all of the leaders in my own State as well as the national leaders, and this is what they do—and if you want to take the time, you can look it up yourself later, sir. They say, "We are for reciprocal trade but there must not be an injury, nobody must lose his job or be endangered thereby." That is what they say, and I can show that to you, or you can find that out for yourself if you look for it.

In other words, they go for it, but they make it awful tight; they make it awful tight. And as a matter of fact, some of them testified the other day, I think it was the American Federation of Labor in Los Angeles that passed a resolution against this—but I am sure they did not, they never have, and the leaders have told them what to do and the members are interested in these markets, but then they have their own situation where they cannot afford to take a definite stand on either side, and that is the reason for that testimony. In other words, they don't know. Of course, I don't know whether that is true or not, maybe there are other factors—but, anyhow, I want to get closer to your particular work.

Before I leave this union business, I would like the record to show that once I was a boilermaker's helper at one time, and so I know these fellows. You can go down to towns like Toledo where you can meet and talk with them, and then you can go to New York, to the University Club, where they have these other fellows, where they are all bankers.

Now, to me it does not make any difference whether they are bankers or union or what, myself. I am just for the protection of the American workingman and the American small investor on the basis of fair and reasonable competition, and on that basis and on that principle alone.

I am not for anyone, not for any man or any group of men deciding what is good for the Nation, because they are considering some international complex or some mission, or general economic factors—everything except the industry of this country.

Now, with that start, I am going to ask, just so that we know, on each one of these principles, what you actually believe.

You do know, do you not, that we changed the principle of the protection of the American workingman and the American small investor from the basis of fair and reasonable competition which was fixed in the 1930 Tariff Act when we passed the 1934 Trade Agreements Act. The 1934 act included many other factors like the international, and so forth. It is no longer just that one principle alone of protecting the American workingman and small investor.

They have tried to take that one principle and put in these other factors until they have meshed these economic factors affecting industries in this country with the stopping of communism and the political situation existing in foreign nations, and they have transferred from the Congress to the President, another branch of the Government, the right to judge those factors.

You do know we changed the entire principle of protection; do you not?

Mr. SEAKWOOD. I have no personal knowledge to that effect, but I understand that to be true.

Senator MALONE. Well, you have read either act?

Mr. SEAKWOOD. No, sir.

Senator MALONE. Well, then, I ought to question you how you feel you can testify. Your testimony would not be accepted any place in the world if you have no knowledge in the world about—

Mr. SEAKWOOD. If you will pardon my interrupting, Senator, the basis of my testimony is not what we have done in the past but where we stand now and how I see what we propose to do now might affect the people and the future.

Senator MALONE. Well, that is a very nice talk in principle, and it means nothing unless you can answer this other question.

We did change the principle, I will tell you that, and they have put it on political factors, and they have made it where one man and his advisers can take in all of these factors that I have named in determining whether or not there will be a duty on certain products, and whether or not the duty on certain products should be lowered. At least you know that; don't you?

Mr. SEAKWOOD. Oh, I know the principle there; I know what the plan is, yes, indeed.

Senator MALONE. But do you know what it was before passing this act?

Mr. SEAKWOOD. No, sir, because I did not think it was relevant to what we are doing here, and—

Senator MALONE. Well, it may become relevant, and I hope it will be necessary for you to read that act.

Now, when that act was changed I was not here. I was almost 3,000 miles away, and I was just as helpless as anybody else was about the changing of this 1930 act into the Trade Agreements Act and abandoning the one principle that I have talked about.

Before 1934, tariffs were adjusted on the basis of fair and reasonable competition, and on the principle of evening it up. That is what the tariff was for.

The idea was to consider their living standards and taxes and the cost of doing business and the wages in the chief competitive nation, and to compare them with the similar cost factors in this country so that we would have equal access to the markets in America. That is all that it ever was. They did not say, especially in 1930, that we should have a duty that would give anyone an advantage in our market.

They said that the duty would represent an evener, the difference between the cost of an article here and there, the difference between the cost of an article or a similar article here as compared with the cost in the chief competing foreign nation. What was to be determined was the reasonable cost, not the highest nor the lowest cost, but the reasonable cost of that article in this Nation. That is what the law said, prior to the 1934 Trade Agreements Act.

The previous act, the Tariff Act of 1930, did not say that the Tariff Commission might look around for a lower duty on an article than that fixed by a particular competitive principle because then we might sell more of that article than another one. They had a principle that, if followed out, would develop the whole country and not just a bunch of brokers, in New York City or in Salt Lake City or even Reno, Nev., or Shreveport, La., but a principle that would help wherever there was a potential investor.

We had that principle then, and when we had it the workingman and the investor, everybody in this country, knew that he had that protection. That protection extended to anybody in the United States who was in business. He did not have to figure out what the Rumanians would do.

Now, that is the principle I am talking about; and you have already said that you do not know about it and that you believe in the principle they have now adopted, and believe it should be continued. So I have explained the difference to you, and you can take it that I am right on it.

You do think it ought to be continued the way it is?

Mr. SEAKWOOD. I do, sir; very much so.

Senator MALONE. I just wanted to be sure that you understood it, so that it will be on the record. That is all I wanted.

Now, you said something about the effect of certain duties here and certain other factors, and you brought the war into it——

Mr. SEAKWOOD. Did I bring the war in?

Senator MALONE. Yes, I think you did. I would not like to have the reporter go back and dig that up, but the war saved us from a terrific debacle as far as the economy is concerned. War has done that very thing for us on two occasions.

When World War II came along we had about 9 million unemployed. But after the war came along, then unemployment began to drop because you began to get the men in the military services. Unemployment first dropped to 7 million. Then the Army began to expand and it went up and up until more than 12 million of our young men were in the Army and the Navy and the Air Corps. That cured the unemployment problem pretty fast.

Well, I was getting a little past military age for the Second World War, and so I was a special consultant to the Military Affairs Committee on these very materials that we are talking about, critical materials, and also on other activities. It was all on this very kind of work. So I have seen all of these people come and go, from Woodrow Wilson up. He had a low tariff act and was in trouble. The war saved us from those low tariffs, and then right after World War I a special session of Congress was necessary to save this country economically. The tariff rates were raised and the new tariff act put us on the basis of fair and reasonable competition.

You are a young man and cannot remember that, but you can read about it and find out.

Now, we are coming to that situation again, in my opinion, and there will be a few brokers in New York City looking for new jobs when that happens.

I am not against brokers and I am not against those Americans that go to other countries, the low-rate countries and put their factories in there, but I am against the things that Congress is doing that makes that desirable.

Now, do you think they should recommend a very slight reduction in tariff?

Mr. SEAKWOOD. Yes, sir; I do.

Senator MALONE. You would not think that that would have any effect on industry, would you?

Mr. SEAKWOOD. It may; and I think for that reason the people that are endorsing H. R. 1 have set up some provisions in it to offset any major harm.

Senator MALONE. What provisions?

Mr. SEAKWOOD. The escape clause.

Senator MALONE. What else?

Mr. SEAKWOOD. And certainly the peril point and, of course, the recommendations of the Tax Commission.

Senator MALONE. Of what?

Mr. SEAKWOOD. The recommendations of the Tax Commission.

Senator MALONE. Tariff, you mean?

Mr. SEAKWOOD. Excuse me, the Tariff Commission. And the final action of the President.

Senator MALONE. Yes; you do understand, after all of this dissertation, that the President has the final authority over the recommendations of the Tariff Commission or anybody else do you not?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. I just wanted to be sure you understood that.

Mr. SEAKWOOD. I do.

Senator MALONE. The President does have the final authority when it comes to that.

Mr. SEAKWOOD. Yes, sir; I understand that.

Senator MALONE. Over the Tariff Commission's recommendations, he has the final charge over that.

Mr. SEAKWOOD. Yes.

Senator MALONE. Now, do you know how many times he has disregarded the recommendations of the Tariff Commission?

Mr. SEAKWOOD. I understand there were 39 applications and approximately 15 had been recommended for relief under the bill, and that the President agreed with the Tariff Commission on 5 of them.

Senator MALONE. Well, I think that is a fair statement.

Mr. SEAKWOOD. That is what I understood.

Senator MALONE. And it simply means this, of course, that where he disregards the recommendations of the Tariff Commission, and they have made their recommendations simply on one factor, it means that he has put in and considered other factors other than that, in deciding on that.

Now, when the Tariff Commission makes a recommendation, do you think that the President is justified in deciding on that, taking into consideration all of these other factors which—

Mr. SEAKWOOD. Well, Senator, I am not by any means prepared to say that the President did not make a decision that was justified, and I am in favor of his making—

Senator MALONE. Well, I did not ask you that, I did not ask you if you were for the President.

What I am asking you now is if he should disregard the recommendation and make any decision on any factors that he himself—

Mr. SEAKWOOD. Well, when it starts with the premise—I don't know what he ought to disregard or not disregard, he might assign lesser significance to—

Senator MALONE. My friend, no human being can comprehend these economic factors—and certainly the President does not have the time to study them, and so he has to take somebody's advice on it, and that somebody most often is the State Department. I am telling you that, just in case you did not know that. It is generally the State Department that does that studying for him or, rather, it is the State Department that does the determining, and they do not determine on the factor that is considered by the Tariff Commission.

Well, however that may be, I am one of the ones that helped elect this President, and I really helped to do that, and I will help to renominate him, and I will help to reelect him, disagreeing with 1 or 2 or 3 of his colleagues. That does not have anything to do with my support of the President of the United States.

Now, let me say this for the record, when it comes to supporting or not supporting the President, let me say this, that it is not right

to assume that anybody that disagrees in any slight way with the policy of the President is against him, and I want you to know that there are many supporters of the President who have supported him and who will support him in 1956 that do not agree with him 100 percent on the things that he sends up to the Hill.

Mr. SEAKWOOD. I am sure of that.

Senator MALONE. Well, then let us just leave that out of it.

I believe in his integrity. I do not believe that any human being or group of human beings can judge those things especially when it comes to throwing in all of these extra factors that I think are immaterial, factors such as the political situations in Europe, and the idea of buying friends and influencing people.

I told someone tonight, I know—yes, it was the witness just before you—I remarked to him tonight that I would not mind buying up somebody if they stayed bought, but these people, they do not stay bought. You buy them today and then you have to buy them next year or there is a new Communist threat. Unless we give them something like a couple of billion dollars or unless we give them an industry, or a part of our market here, we have to buy them up all over again or they say they will turn Communist.

Well, some of these days you are going to find that you are going to have to take care of the United States of America and do everything necessary to defend America, and when you get outside of that category, you are going to be far afield.

Mr. SEAKWOOD. Senator, forgive me for alluding to a personal situation—

Senator MALONE. I would like to have you do it; you can put anything you want in the record. We are just making a record. You go ahead and say anything you want in the record; I would be glad to have you do it.

Mr. SEAKWOOD. I spent 4 years in the Marine Corps in the last war, and I am not talking about, in my recommendations or opinions here, anything that is calculated not to defend Americans.

On the contrary, I sincerely believe and recognize that you and I and other people who are on different sides of the fence—that we, all of us, similarly and sincerely believe in the things that you have stated here.

However, I am convinced—I may be wrong—but I am convinced that the overriding factor that we have to deal with today is not alone a question of whether or not I will lose my job or John Doe will lose his job, but whether or not our house will stand.

I feel again, right or wrong, but I feel strongly that the position we are in and the conditions that we face today are such that we have to support our President on our foreign-policy program, and that this bill is an important part of that foreign-policy program, and I feel that we cannot afford to shift our ground at this time, and again I am talking about the welfare and security of everybody in this country, even though some people may conceivably be hurt.

Senator MALONE. Let me ask you a simple question, sir.

Does the Constitution of the United States say that we shall trade the markets of this Nation to any foreign nation for its support? Is there anything there in that connection at all?

Mr. SEAKWOOD. No, sir.

Senator MALONE. Does it say anything like that?

Mr. SEAKWOOD. Well, no, there isn't any such statement.

Senator MALONE. Of course not. You don't know of any such statement in the Constitution of the United States, do you?

Mr. SEAKWOOD. No.

Senator MALONE. There isn't anything like that in the Constitution.

On the contrary, it separates the foreign policy from the domestic economy—did you ever read the Constitution?

Mr. SEAKWOOD. I have read it.

Senator MALONE. Well, do you remember reading anything in there, in the Constitution of the United States, that couples the foreign policy with the domestic economy?

Far from it, I will tell you this, far from putting them together, it separates them.

The Constitution puts them under different branches of the Government. The legislative branch has the economy of the United States, definitely and finally the writers of the Constitution gave that to the legislative branch, the question of the economy, the question of regulating foreign trade, regulating foreign commerce and levying the duties and the excises, is in the legislative branch; and then it goes on to say that the executive branch is in charge of the foreign policy.

But then we come along, and there was a Congress that was thoroughly dominated by an Executive, and that coupled the domestic economy and our foreign policy together so that you could use the economy of the United States, the markets of this Nation, the jobs of American workingmen and the investments of the small investors, you could use all of them to buy up the foreign policy, you could use them to obtain friends and influence people, or you thought you could, and you could try it.

Now, if you can go home and read that Constitution of the United States and if you get anything else out of it, I would be happy to get a letter from you.

If you let this 1934 Trade Agreements Act expire, it goes back to the Constitution of the United States; it reverts to the Tariff Commission. I will tell you if you do not know it, that the Tariff Commission is an agent of the Congress and not an agent of the executive branch of the Government.

It would be just as simple to put it in the Supreme Court. The Supreme Court is the third branch of the Government, which judges the constitutionality of what we do, either the executive or the legislative branch, and there are some pretty smart people in the Supreme Court.

Also, I might say, those people that wrote the Constitution were pretty smart people. They had learned a lesson from experience. They had had experience with one man who could tell them what to do, taxwise and in the economic field and in the foreign affairs field. They had one man that could do that, and that man was George III, King of England. When they rose up against him and threw him out, then they wrote the Constitution so that no one human being could do to them again what the King of England had done.

But now, we have fixed it so that one man can do the same thing once again.

Let me tell you this, that I memorized that Constitution and the Bill of Rights in school, and I think it would be a good idea, perhaps,

to get back to this idea in our schools today. Nobody reads them any more. Instead we just look at television and listen to the radio and read these columnists that have these articles in all of these newspapers. We read and read and then we say, "Why, this is terrible, I didn't know that."

We have been fed with slogans such as "Trade, not aid," and "reciprocal trade."

Going back into history, there was this business about reciprocal trade and "Trade, not aid" in other places. The bankers of London were concerned about it. They invented the slogan "Trade, not aid," and I can tell you who first said that. The man who coined it was Chancellor of the Exchequer in England. I pinned it on him 2 weeks after he made it—and we live by it today. Picture yourself in some other business, not in the business that you are in, where you are sitting on soft cushions in New York City, selling something abroad and willing to sacrifice the markets of the workers of this country, like the pottery maker and the glassworkers and the clothespin people, those folks that are up there just above you in the State of Maine, or are willing to sacrifice any one of 5,000 other industries, so that you could say, "I can sell some more of my product." It could be that you could think about that and think it through, if you sat down and thought it over in the cool of the evening.

You have a philosophy—now, I have given you mine. Let us have some of your philosophy.

Mr. SEAKWOOD. Well, Senator, if we may come back to my point of view, I feel that we have reached the point where United States exports would materially diminish if we did not through trade put dollars in the hands of the foreign countries who are dependent upon us to a great extent at this time for the development of their economy—and we are not talking about the pottery people any more, but instead we are talking about the mining machinery employees who are going to lose their jobs, and the huge number of workers in the automobile industry, and we are also talking about every one of the millions of people affected by the passage of this bill who are dependent to some extent on the export trade; it seems to me that either way we cut it, we are talking about somebody who is going to or may lose his job.

Senator MALONE. Look, my friend, we are not talking about cutting anything.

We, after World War II, began to throw money around like drunken sailors, and you, I guess, having been a marine, know what that is, and I know, too. I was in the field artillery. As I suppose you know, President Truman was in the field artillery in the First World War, also; he went over there with the field artillery; he was a captain, and I was in the field artillery, and they are not immune to that, either.

Now, let me tell you this, that if we deduct the amount of money, the billions of dollars that we appropriate and throw around the world, it would be like the grocery man in the State of Maine, if business was not good, telling his banker, "Give me \$10,000; I want to throw it around the street, maybe I will increase my business." Well, you know what would happen then. The banker would step on his little button and he would engage the grocer in conversa-

tion until a cop came up behind the man and got him by the arm and put him where they could investigate and determine whether he was dangerous or not.

Well, that is typical of what we are doing. We also are sending obsolete equipment over there and putting it into the warehouses, and we keep on making this obsolete equipment, because we are afraid of unemployment if we stop the manufacture of obsolete equipment.

If you subtract the cost of that equipment and the amount of money that we send over there to throw around, then you will see that we are right back to the $4\frac{1}{2}$ percent or 5 percent of foreign trade that we have had over all of these years.

If you will take the time to look into this, I wish you would do it, I wish you would really go into it, and if I have missed it by 1 percent, will you please write me a letter.

You are for continuing that thing, I suppose, spending the billions in Europe, sending them, all of that money, over to Europe, and sending that obsolete security equipment—if the people of this country just understood what the Congress is doing and the import of it, I think they would move on Washington and would not even wait for an election.

Mr. SEAKWOOD. Senator, I have gone on record as saying I felt we have given too much—

Senator MALONE. Why, of course. But I want you to check me and write me a letter if I am wrong that the amount of stuff that we give away deducted from our total exports, does not bring us right back to this $4\frac{1}{2}$ or 5 percent of legitimate foreign trade that we have had for the last 40 years or so.

Mr. SEAKWOOD. Well, Senator—

Senator MALONE. Don't you agree with that?

Mr. SEAKWOOD. I would not agree with that—of course, I have not made a study.

Senator MALONE. Well, study it and let me know if I am wrong.

Mr. SEAKWOOD. If I can get access to the sources—

Senator MALONE. Well, I can get at the sources, and so can you get at the sources—but I don't understand how a man can come down here and advocate things on the basis of things he does not understand.

Mr. SEAKWOOD. Let me state—

Senator MALONE. You have made a wonderful statement and anybody that does not know anything about it at all could go back over and say, "I didn't know all that. That is wonderful."

Mr. SEAKWOOD. Senator, I am basing my views upon the reasoning and the experience, the joint reasoning and experience of my company and those similarly situated—

Senator MALONE. "Similarly situated"—well, they come in here by the ream—

Mr. SEAKWOOD. I believe, Senator, in the expansion of United States export trade that would be made possible by the slight reduction in tariff rates, and if the proposal in H. R. 1 should in fact materially and adversely affect any segment of United States industry, I have sufficient confidence in the President that he will turn the proposed reduction down—

Senator MALONE. You understand, sir, in the first place, that you cannot object legitimately until you are seriously injured and then

you have got to show that at that moment you are seriously injured. Do you understand that?

Mr. SEAKWOOD. Or threatened with serious injury—that is correct.

Senator MALONE. And you are a businessman.

Mr. SEAKWOOD. Yes.

Senator MALONE. I don't know whether you just run the export business or if you have to meet a payroll, but if you do, you will understand my next question.

How long can a business last in this country that has a continual cloud over its head, where it may wake up any morning and find that the State Department has announced—I think, of course, you know, technically it is the President, but it is actually the State Department that does it—and wake up and find, as I say, that the State Department has announced tariff reductions below the point where it can carry on in its work and compete with these chief competing foreign nations? When that happens it must come in and show serious injury. It may be 1 or 2 or 3 years before it is seriously injured—although you know, with a 45 pointed at your head, you know that if someone pulls the trigger it is too late. So when you are seriously injured you are dead in most of these businesses; are you not?

Mr. SEAKWOOD. When seriously injured, we may be dead.

Senator MALONE. Yes; that is right, isn't it?

Mr. SEAKWOOD. Yes. But, Senator—

Senator MALONE. That is right, so how lucky do you think you could be?

If you wanted to enlarge your plant with this hanging over your head all the time, with one man or a group of men in the Capitol who can destroy you at any time, how successful do you think you will be when you go to your bank to raise money to modify your machinery?

Mr. SEAKWOOD. Senator, your question is based on the assumption that the passage of this bill will allow for a lot of dead industries, and that is something I do not agree with.

Senator MALONE. I know you don't, but here is something that I don't think you understand, that when you lower the tariff, there is that differential there, the differential of the lower wages. I ask you, would you say that it is right if the lowering of the tariff may destroy you because of that differential—I do not know whether you understand what I am talking about, because when you are talking about a 5 percent or 10 percent or 15 percent tariff reduction being met, these lower wages—

Mr. SEAKWOOD. Senator, I know on the basis of our own experience as I pointed out before, and it is a fairly important point to get across that—

Senator MALONE. Yes; but a little difficult.

Mr. SEAKWOOD. We are competing with foreign manufacturers, you know.

Senator MALONE. What are you a manufacturer of?

Mr. SEAKWOOD. We manufacture, among other things, the underground mechanical mine car loader, known as the Rockershovel.

Senator MALONE. Is that all you manufacture?

Mr. SEAKWOOD. No; I am just giving our principal product which serves the mining industry.

Senator MALONE. What others?

Mr. SEAKWOOD. Well, we have recently developed and manufacture tractors and tractor excavators, and we manufacture underground compressed air locomotives.

We manufacture folding scrapers, and we manufacture bulldozers, bulldozer blades, and other attachments, and we also manufacture a full range of continuous and semicontinuous vacuum and pressure filters.—

Senator MALONE. Then, let me ask you—

Mr. SEAKWOOD. The filters are all highly specialized equipment serving the chemical, metallurgical and industrial process industries.

Senator MALONE. Let me ask you—you have finished with what you manufacture?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. Then let me ask you. Let me ask you this question, do you have any protection on any of these products?

Mr. SEAKWOOD. I do know that on mine car loaders, there is a duty which I believe to be 13 percent.

Senator MALONE. And any protection on any of the rest of them?

Mr. SEAKWOOD. I don't know.

Senator MALONE. You do not know if—

Mr. SEAKWOOD. I do not know. As a matter of fact, we have maintained a dominant position in our respective fields in filter and mining equipment and we have not been too much concerned—

Senator MALONE. Oh, so you feel competent to come down here and testify when you don't even know what protection you have on your own products?

Mr. SEAKWOOD. Yes, sir. I started to say before, Senator, and I think it is a most important point to bring out, based on our own experience, that we have competitors in Japan and we have competitors in Germany—

Senator MALONE. How long have you had these competitors?

Mr. SEAKWOOD. Well, certainly since the war, in most cases—

Senator MALONE. Not right after the war, didn't you have a little time that elapsed? Isn't that something that is still growing, aren't they still getting into production and aren't they starting to push your plants for production—

Mr. SEAKWOOD. No, sir. As a matter of fact, in Sweden—

Senator MALONE. I am not talking about Sweden. You were talking about Japan. Weren't you talking about Japan?

Mr. SEAKWOOD. Yes, I was, Senator, I did mention Japan but—

Senator MALONE. You brought up Japan and Germany and—

Mr. SEAKWOOD. I wanted to give some illustrations to you.

Senator MALONE. Japan and Germany, let us finish up with them. How about Germany?

Mr. SEAKWOOD. Well, during the war the Germans moved into France and took one of our Rockershovels which they brought into Germany and copied it. That action was sponsored by the German Government, and that industry has been in existence ever since.

Senator MALONE. Since the war?

Mr. SEAKWOOD. It started during the war.

Senator MALONE. Manufactured during the war?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. Well, now, are they improving it, are they making any effort to improve the product, not only the Rockershoevel but other fields?

Mr. SEAKWOOD. Yes—they think they have.

Senator MALONE. You say they think they have?

Mr. SEAKWOOD. Yes.

Senator MALONE. Well, do you think they are?

Mr. SEAKWOOD. They think they are.

Senator MALONE. I didn't ask you that. Do you think they are improving their products?

Mr. SEAKWOOD. Well, there is a considerable amount of good engineering ability and ingenuity in Germany, but we are prepared to match ours with theirs.

Senator MALONE. In that field over there?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. Now, let me ask you this—well, that is a great thing, as long as you have a duty on your product, you say that you are prepared to match them. I did not hear you recommend that we have free trade on all of these products that you manufacture—or did I miss something?

Mr. SEAKWOOD. No. I said that I was not prepared at this time to take the position that we should have free trade.

Senator MALONE. Well, how about free trade on the things you manufacture?

Mr. SEAKWOOD. I do not know that to be the case.

Senator MALONE. No, I don't think you would. But it is very interesting to me to see you people that have articles that you are making come down here and you are recommending that we transfer to a group of men the power to reduce the tariff rates on other products. Apparently you hope they will.

Mr. SEAKWOOD. Senator, we expect equal action consistent with our principles, and we do not feel that we are entitled to any special type of protection.

I have stated before that we are not at this time particularly concerned as to whether there is or is not any protection in the sphere in which we produce and compete.

Senator MALONE. Well, I ask you: You would like to have free trade on your own equipment, whatever you manufacture?

Mr. SEAKWOOD. I did not say that.

Senator MALONE. Well, what did I understand you to say?

Mr. SEAKWOOD. I said we would not be concerned about it as a major economic factor affecting our domestic sales.

Senator MALONE. In other words, you would not care if they took the tariff off of your product?

Mr. SEAKWOOD. At this time, I said, I was not prepared to say that we should go as far as to allow the free-trade concept to govern our economy.

Senator MALONE. Well, in your statement you did not mention that you had protection, and now you say—

Mr. SEAKWOOD. I mentioned that there was one protected item.

Senator MALONE. And you don't know how much?

Mr. SEAKWOOD. I said—

Senator MALONE. Didn't you say you didn't know how much?

Mr. SEAKWOOD. I said that I thought it to be 13 percent.

Senator MALONE. Thirteen percent.

Now, would you want them to recommend the amount of protection on your products or any other products at the discretion of the Executive or this group of advisers around him, is that what you are—

Mr. SEAKWOOD. If it is in the best interest of the country, by all means.

Senator MALONE. In his judgment?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. Best interests of the country in his judgment?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. That is how you feel?

Mr. SEAKWOOD. Yes, Senator.

Senator MALONE. In other words, you are for the change of principle and abolishing the principle of fair and reasonable competition, and you are for changing the principle of giving to the American workman and the American investor access to all of the markets, equal access to all of the markets such as they had in the 1930 act, and you are for changing that and for having the Executive do anything that he wants to do with it if in his judgment he thinks it is a good thing for the country?

Mr. SEAKWOOD. I believe that the decision of the President, with all of the information that would be available from his Department heads and from his full staff, would be a fair and reasonable judgment that would be dictated by what he sincerely believes to be the best interests of the country, and we have enough faith in him under those circumstances to abide by it, and recommend—

Senator MALONE. Well, to make it short, sir, you are for a change in the principle or as it is to be amended by this act?

Mr. SEAKWOOD. I am in favor of this bill.

Senator MALONE. A change in the principle, that is what I wanted to know.

Mr. SEAKWOOD. I am in favor of whatever principle this bill stands for.

Senator MALONE. That is right; I understand you.

Mr. SEAKWOOD. But I would like to continue. I started to mention something before, Senator, and I did not complete it.

Senator MALONE. You may go ahead and state it; you may make any record you want. All I want to make is a record of exactly what you stand for.

Mr. SEAKWOOD. Actually I am not trying to make a record but just trying to explain how I feel.

Senator MALONE. Go ahead.

Mr. SEAKWOOD. As I said before—

Senator MALONE. I am not going to stop you from making your statement.

Mr. SEAKWOOD. Well, Senator, then—

Senator MALONE. I would never stop anybody from making a statement, from making his record; all I want to know is what you stand for exactly.

Mr. SEAKWOOD. I am glad to hear that, Senator.

Senator MALONE. You just go ahead.

Mr. SEAKWOOD. As I said before, I think it has a pretty material bearing on what we are talking about—we are competing with foreign sources, manufacturers, the foreign sources of manufacturers that are producing like products more cheaply and selling them more cheaply, and they are actually not constituting any material threat to ourselves.

Senator MALONE. You do have this protection you spoke of awhile ago?

Mr. SEAKWOOD. Senator, I am not talking about domestic sales but about foreign sales.

We are meeting them on their home ground and it puts us to no great disadvantage to have to send our equipment 2,500 miles across the country from Salt Lake City and then ship it across the ocean—

Senator MALONE. You do realize we have sent about \$50 billion to \$60 billion to buy our stuff since the war?

Mr. SEAKWOOD. Senator, I would not want to take up your time and all the other people who are waiting to testify—

Senator MALONE. You just go right ahead. We have all the time in the world.

Mr. SEAKWOOD. To go into my philosophy, but I believe that when we introduced the Marshall plan we were justified in having done so and I think it definitely served to save many countries from communism.

Senator MALONE. To save them from what? Communism?

Mr. SEAKWOOD. That is right.

Senator MALONE. Where do you think they are now—France, for example?

Mr. SEAKWOOD. Well, I don't think we have the rosier picture over there, but if we go back and compare what the conditions are now with what they were then, I think there is a great deal—

Senator MALONE. Don't tell me—we have more Communist sympathizers now than then.

Mr. SEAKWOOD. Well, we might have had an entirely Communist parliament if the French had not had support—

Senator MALONE. They might have, but a lot of people don't think so, or at least they would be paying their own taxes, whereas we are paying them now.

Mr. SEAKWOOD. Well, that is right, I feel we ought to stop paying them and let them pay for them, let them go on their own, by allowing them to trade more freely with us. But in sending what we already have over there, has given jobs to more of our people and it has built up our United States facilities.

Senator MALONE. Sending \$50 or \$60 billion worth of stuff, you say that gave more jobs?

Mr. SEAKWOOD. Yes, indeed. As a matter of fact, the dollars that went over there came back over here and were spent on American products.

Senator MALONE. You think they did?

Mr. SEAKWOOD. I am sure they did.

Senator MALONE. You actually think so?

Mr. SEAKWOOD. Sure.

Senator MALONE. Well, that is very interesting.

Now, let me explain this to you, then I will ask you if it isn't true, about how they dealt with each other, using our money. Let us go over now to South America.

I just want to complete the job on this thing. They went down there, these representatives from the Netherlands, from England, from Germany, from France, they were all over there, offering them 4 or 5 or 6 years of credit to those people, and those people complained that the Americans were only offering a 3-year credit, and the answer is that they were doing that with our money, they were using our money to give them that 4 to 6 years of credit, and I say to you that whenever we quit furnishing them the money, then they will have to quit furnishing 5- or 6-year credit to some foreign nation.

But you do think, coming back to your statement, that maybe the \$50 billion or \$60 billion sent over to Europe helped to buy some products we have produced here?

Mr. SEAKWOOD. Certainly, and I think it did stimulate our economy to a great extent, and I think that now we have got to give them the opportunity to become industrial and economic partners with us.

Senator MALONE. Yes, and simply allow the Executive to determine what industries they will depreciate here and what industries they will build up in the interest of what he considers the overall economy?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. You are for that?

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. I want that clear on the record.

Mr. SEAKWOOD. Yes, sir.

Senator MALONE. Now, let me ask you this. Are you familiar with the operations of this foreign organization known as the Geneva General Agreement on Tariffs and Trade?

Mr. SEAKWOOD. No, sir, I am not.

Senator MALONE. Well, if you were familiar with it, I don't think that you would talk with the same confidence that you do.

That is an organization that operates in a manner where they have a combination of 34 foreign nations, and they sit over there with the markets that we have, our markets in the pot and they determine how to divide that up; how to divide up the whole basket of markets, including ours, among the nations of the world, on a multilateral basis.

Now, are you aware of that, and if you don't know anything about it, say so.

Mr. SEAKWOOD. I have said that.

Senator MALONE. But, if it is any information to you, that is the way it works.

Mr. SEAKWOOD. Thank you.

Senator MALONE. Just recently the United Nations, through the Assembly, had a resolution creating another worldwide organization and I think they started with a less number, hoping that it will grow, and without our vote—and there are all of these trick organizations—especially if we continue that organization, the United Nations—such as the International Trade Organization, the International Materials Conference and so on and so on—and they all use as a base, this 1934 Trade Agreements Act.

Now, if you allow this thing to expire, they will find that all of these trick organizations that work under that and take our markets will fall, and this sucker game will stop. All of it will fall of its own weight—did you ever study that situation?

Mr. SEAKWOOD. No, sir.

Senator MALONE. Well, I thought you might have crossed that trail.

Do you believe that we ought to have an act of this kind, leaving it in the hands of the State Department—where of course it now is although technically under the President—so that these organizations may operate with our markets in the pot and as long as they are allowed to go along this way, there is no way of stopping them except by—

Mr. SEAKWOOD. Well, Senator, I do not believe that this matter would be left in the hands of the State Department. I am sure that they would have a great influence on the President, but I think that is quite different from leaving it in their hands.

Senator MALONE. You think that he would study this proposition himself?

Mr. SEAKWOOD. I am sure that in those cases that would have great impact on our country, that he would give it his attention.

Senator MALONE. You think he has time to give any such attention?

Mr. SEAKWOOD. I think that if it was important enough to this country, he would find the time; that is what the people expect of him, and I am sure that is what he would be guided by.

Senator MALONE. Well, I am glad that you have that confidence in him and in the time that the President has to do that job in.

Now, the Congress of the United States that has these committees, such as this one, in 1930 delegated that work to a Tariff Commission, which is our agent, and they have a corps of experts to study the problems and to do it on the basis of a principle that was established at that time; that is a direct principle laid down by Congress.

Now, let me tell you this, for your information, that prior to that time the Congress tried to do it and they tried to do it through committees, such as this one. It took these committees months and months and months of study and if they had used a little bit of logrolling, it might have gone the other way. I am not saying that it would or would not, I am not saying that they did use logrolling, but anyway from that experience they learned a little lesson, and they switched to a principle where there could not be any logrolling.

They did not say to the Tariff Commission, "You can study the worldwide situation and take any factors that you want to into consideration beside the basis of fair and reasonable competition in making your decision."

No, they did not do that. They pinned it on the principle I have outlined to be applied by their own agent, the Tariff Commission—but I am glad you have made the record clear, that you are for one man making this decision, and you think that one man really makes it, so that ends that.

Mr. SEAKWOOD. Senator, I think that the Tariff Commission plays a very important part in the decision which the President will make—

Senator MALONE. Wait now, I thought we covered that. I thought we had gone all over that, just how important it was to the President.

Mr. SEAKWOOD. But I do not think by any means that the factors that would guide the Tariff Commission in the decision it would make are comprehensive enough.

Senator MALONE. Well, you know the factor that they have to consider, and that is whether there is an injury done to our industry—

Mr. SEAKWOOD. And that is their sole purpose, their sole function.

Senator MALONE. And how often are they effective, what percentage of the time?

Mr. SEAKWOOD. Well, I don't know what you mean by "effective."

All I am saying, Senator, is that it is proper for a body such as the Tariff Commission to weigh the pros and cons of the economic effect of any particular reciprocal trade activity being considered.

Senator MALONE. They are not allowed to weigh the economic effect. What they say here is whether or not the industry has been injured—

Mr. SEAKWOOD. Well, that is what I mean by "economic effect."

Senator MALONE. The economic effects in other countries. Now, the Tariff Commission is not allowed to go into all of these political and economical considerations abroad—and their advice is rarely taken and—

Mr. SEAKWOOD. I don't feel, Senator, that their advice is based on all of the facts.

Senator MALONE. No, it isn't; it is based on the fact of whether this industry has been injured or not.

Mr. SEAKWOOD. That is correct.

Senator MALONE. Yes.

Mr. SEAKWOOD. And that is one element in the total picture that must be considered and seriously so, but I feel there are other material factors that must be considered.

Senator MALONE. You feel what?

Mr. SEAKWOOD. That other material facts must also be considered.

Senator MALONE. What are those facts?

Mr. SEAKWOOD. Well, certainly, our international relations.

Senator MALONE. And you would trade any industry or any part of the industry if you thought it was important enough for a foreign—

Mr. SEAKWOOD. If it has a bearing directly on national defense and security.

Senator MALONE. And making friends and influencing people?

Mr. SEAKWOOD. Well, not influencing people or—

Senator MALONE. Well, that is what it means, when you talk about the national defense, they bring in having allies and—

Mr. SEAKWOOD. Well, Senator, national defense to me does not mean making friends, it means being hardheaded and factual about the extent to which we would have to have in our interest the support of the other people throughout the world to help us contain communism and keep it from rolling on.

Senator MALONE. And you believe that trading any part of our industry or an entire industry, if they consider it important enough to buy that friendship—

Mr. SEAKWOOD. If it means that otherwise we might face a world in a war that would be catastrophic, and the chances of that conflict would be that much greater—

Senator MALONE. Well, wait, do you believe that we should continue, have and continue a principle that allows the Executive or a group around the Executive to destroy an industry or sacrifice an industry just so that he can build up—

Mr. SEAKWOOD. Senator, with all the facts available to him, yes, and—

Senator MALONE. In other words, you want to get away from the principle of free and reasonable competition and consider all of the factors!

Mr. SEAKWOOD. Not away from the principle of free and reasonable competition, but including others as well.

Senator MALONE. You cannot have both.

Mr. SEAKWOOD. Well, I am afraid that we are living in a pretty complicated day and age and I think that we have got to recognize it and accept both.

Senator MALONE. That is, you want all of these other factors to be considered in that principle, in addition to the fair and reasonable competition principle, fixed on that basis to give American workers equal access to the markets of the world, you want to change that and add on all of these other factors, that is what you want?

Mr. SEAKWOOD. Well, I think, Senator—

Senator MALONE. And you want our economy combined with our foreign policy under the Executive, and you know how our foreign policy has been, and what people say about—

Mr. SEAKWOOD. Well, Senator, I think that we can say that we have grown from our experiences considerably since the war, I think our foreign policy is much better defined and—

Senator MALONE. What is that, better defined?

Mr. SEAKWOOD. Yes, and if you want, I will give you my ideas on it.

Senator MALONE. Go ahead.

Mr. SEAKWOOD. Number one—I believe our foreign policy is to serve the best interests of this country, to enlighten and develop the other countries of the world this side of the Soviet bloc as a growing and active community of countries with whom we can work and prosper in peace and with whom we can possibly contain further encroachments of communism, and I believe that all of the policies, economic, trade, and otherwise, to which our country subscribes, are all underlying principles of the major objectives that I have mentioned. It is a sizable and difficult task, and nobody has all the right answers; we are just searching and hoping that we will come to the—

Senator MALONE. Well, we have left 1 principle, the principle we have had for over 75 years in the regulation of our foreign trade and—

Mr. SEAKWOOD. Well, sir, I think that regulation of foreign trade in the light of these broader principles becomes rather small, although I am not for the purpose of minimizing its effect by any means—

Senator MALONE. Are you aware that the countries, those countries over there, about 35 or 40 of them, have severely criticized us and even threatened to withdraw because we were selling products abroad and subsidizing production, selling them abroad?

Mr. SEAKWOOD. I am aware that there has been such criticism leveled at us. I do not know specifically where it originated.

Senator MALONE. Well, there is the Wall Street Journal, I can cite that, it was laid out there in a clearer manner than any other place that I have seen, and I saw that and so I put it in the record, and you can see it when it is finally printed.

And that says that far from influencing people and making friends by doing that, we were alienating friends by our foreign trade policy.

Mr. SEAKWOOD. By a giveaway program.

Senator MALONE. By sending wheat and other stuff over there in competition.

Mr. SEAKWOOD. I agree with that.

Senator MALONE. Now, as a matter of fact, there are many people that think on foreign trade—and of course we are fortunate in the foreign trade—they say that by sending them the dollars rather than the goods and putting them on an installment plan, that that might be better because then you don't expect so much. And there are many people that believe that this policy of foreign trade will stop or help to prevent war—well, we have had at least two wars since we instituted this policy to prevent war, haven't we?

Mr. SEAKWOOD. Well, I do not think that the wars were attributable to our foreign trade policy, Senator.

As a matter of fact, I believe that if the foreign trade policy is properly and fairly accomplished, it will be one of the greatest instrumentalities of peace that we can have.

I think that if we are of the mind that we can live and survive in and of ourselves without foreign trade, that we have denied ourselves the experience of our own history.

Senator MALONE. You feel that way?

Mr. SEAKWOOD. Yes, Senator, and if you—

Senator MALONE. Well, did anyone ever tell you about trying to do away with foreign trade? Hasn't it been made clear to you or have you thought it out?

If you can just sit down in the cool of the evening and turn off the radio and the television and throw that newspaper in the corner—the one with the articles and the columnists—if you just sit down and forget all of that material and figure out what is legitimate trade, you might think differently.

You might be able to see that when it comes to legitimate trade, it is a matter of quid pro quo, and completely on that basis, not what these dreamy-eyed people say or try to bring into it.

Now, coming back to this criticism, these people who were telling the American people that by sending those goods and money over there we were trying to help the foreign nations, were not telling the American people the truth.

We were not trying to help them, but we were trying to sell them our own products, that is what we were trying to do. The first time that I heard of that, I nearly fell off the chair. An Englishman and I were talking and about 3 o'clock in the morning, he said, "It wasn't for foreign aid, it was to save your own economy."

They could insult us with impunity and did. So could France and so could all the rest of these nations, because they knew more about it than you knew or I knew. The first time I found out about it was when I was told it by this Englishman, but that wasn't the last time.

And now you think that maybe we ought to not give them money but give them the markets.

Let me tell you this, you young fellows who were in the last war—and I was in the first one—all you need is markets. That is the basis of your income. You can spend that money, the billions in Europe and you can keep it up much better than you can split these markets. You have the income while you have those markets and you can furnish that money, but if you don't have the markets, you don't have the income and you cannot live.

All of this "trade not aid" stuff is poppycock. Those people over there know all about it and you are falling for it.

Mr. SEAKWOOD. Senator, I believe we are closer to the markets in our field, we know the mining field pretty well——

Senator MALONE. Yes; I know that, but——

Mr. SEAKWOOD. And we are satisfied that there is a good growing market, assuring a greater profit and greater improvement and a greater amount of purchases in this country when our equipment is sold overseas.

The only problem is to put the dollars in the hands of those foreign customers so that they can buy.

Senator MALONE. And, to do that you are willing to sacrifice some other industry here?

Mr. SEAKWOOD. No sir, what I am saying——

Senator MALONE. Well, that is what you testified and——

Mr. SEAKWOOD. What I am saying is that if the judgment of——

Senator MALONE. Well, go ahead and tell me what you are trying to say. That is what I want to find out.

Mr. SEAKWOOD. Thank you. If in the judgment of the President based upon all of the information available to him——

Senator MALONE. That is correct.

Mr. SEAKWOOD. He decides it is in the best interests of our country for the tariff to be reduced, then so be it and we go along with it.

Senator MALONE. If it is a good idea and in the interests of the country?

Mr. SEAKWOOD. Yes.

Senator MALONE. And of course it is in the interests of the whole country that your rocker shovels be sold, then you are for it, and you——

Mr. SEAKWOOD. Senator, I do not think that is a fair statement. I am an independent citizen as well as a member of a company, and I would draw the line as to how selfish I would be.

Senator MALONE. What would you be?

Mr. SEAKWOOD. If I were just talking here about our industry, our company, I would not be here. I believe in this bill and its principle, strongly, personally.

Senator MALONE. I know you do.

Mr. SEAKWOOD. And in my opinion it dovetails with the best interests of our country; since it does, we support it; and if it did not, then we would advocate that which we believe to be in the best interests of the country.

Senator MALONE. Well, I am going to have to read you a little piece here that I had not intended to.

First, let me say that it is not the traitors to this country who are the greatest enemies of this country, it is not the traitors but the people who believe in it, believe in the country, but they also believe these other things, and that makes them more dangerous than the traitors.

I am going to read you something that was written by Harry Dexter White, and it is something that he wrote. Harry Dexter White, the Assistant Secretary of the Treasury gave this advice to the Secretary of the Treasury of the United States. The Secretary sent it to the President of the United States, whom I know to be loyal, and who was President Truman. Harry Truman was a captain of fieldartil-

lery in 1917 and 1918 and there is not a disloyal bone in his whole body and there never was, but he took this advice and didn't even know it.

Harry Dexter White, without reading all of this long thing, said in effect to the Secretary of the Interior and Secretary of the Treasury, he said, "We are going to run out of these materials."

It is a memorandum, and you can get a copy of this report, it is on page 370 of the report, the Senate resolution or Senate Report 1627.

Mr. White discussed oil and so on, and he said that we had only a 13-year petroleum supply. As you know we have more now than we had then.

He said also that we were running short of tungsten, that at the current rate of use we had only 3 years supply. That was all written down in March of 1944.

White suggested also that we loan \$10 billion to Russia so that we could save our own raw materials and import these materials from Soviet Russia. He said Russia had plenty of these materials and that all we had to do was to give them the money and they would supply these raw materials.

Then Mr. White went on to timber and wood products, and, as I said, petroleum and oil. All of them, in his opinion, should be imported.

Mr. Morgenthau, the Secretary of the Treasury, sent this memorandum, almost word for word, to Mr. Truman. Mr. Truman, in about a three-page signed statement—this was the statement that Mr. Morgenthau sent to Mr. Truman, almost exactly what had been told him by Harry Dexter White. He said also that it was only because of the overriding importance of the act for this purpose, national defense, that "I am able to overcome my reluctance to sign," the bill including the application of the Buy American Act of 1933 to the Stockpile Act.

And he went on to say that these buy-American provisions would not only materially increase the cost of this stockpile but it will tend to further deplete our already inadequate strategic materials.

Now, that is the same thing in effect that Harry Dexter White had said, and I don't think that Truman even knows who first said it, because if he had, he would not have done this thing. I doubt if he knew Harry Dexter White; he did not know who he was in any case. President Truman was a patriot, and as I said it is not the traitors that do the harm but the patriots that believe the things they are told and start doing these things they are advised to do; they are the ones that are doing the damage, not the traitors.

Now, that is an interesting document. That is what happened, and that was the political approach that is destroying us. The political approach brought on recognition of Russia in 1933 without any safeguards whatever.

The economic approach to destroy America started less than a year later with passage of the Trade Agreements Act. It was designed to make us dependent upon foreign nations, like we are in India, you know, where we would have to cross a major ocean for 900,000 tons of manganese a year, almost half our annual consumption and we could not get a ton of it here, after a war starts, if there is a war. In the event of war we are cut off immediately from India.

It is the same thing with respect to these other commodities on which we have become dependent on foreign nations.

So now, in addition to doing away with American jobs and destroying the investors who cannot go abroad to do these things, they make us dependent for these materials upon nations across major oceans.

Now, I want to ask you about these trick organizations that have been started, including the General Agreement on Trade. You don't know anything about that, do you?

Mr. SEAKWOOD. That is right.

Senator MALONE. Well, I think that is all the questions. I think that the record will be very clear on this witness.

Senator LONG. May I be permitted to say that I think you have made a very fine statement here.

I think you point out the fact very well that expanding trade can in many instances make more jobs as far as your business is concerned.

Mr. SEAKWOOD. We are certain of that.

Senator LONG. And it is possible you might find a better market for some agricultural products also. The tobacco people have testified to that effect. The rice people were interested in finding a market for their rice and they want to expand their market, and, of course, our cotton farmers want customers for all of their products that they are producing.

So there is a possibility of finding some markets as well as losing some markets. Is that correct, it can work both ways?

Mr. SEAKWOOD. That is correct.

Senator LONG. Now, you mentioned that you were 4 years in the Marine Corps. What unit were you connected with or assigned to?

Mr. SEAKWOOD. I was with VMF-223.

Senator LONG. Did you serve overseas with that unit?

Mr. SEAKWOOD. Yes, sir.

Senator LONG. Where?

Mr. SEAKWOOD. Well, we were on Peleliu, Okinawa, Espiritu Santo, and we were in Guadalcanal, though after the battle, and we were in Hawaii.

Senator LONG. You were a pilot during the war?

Mr. SEAKWOOD. No, sir.

Senator LONG. What were you?

Mr. SEAKWOOD. I was a troop commander—originally a line officer loaned to aviation; also, I was at Eniwetok.

Senator LONG. And so you have had some experience and you were very interested in preserving the Nation.

Mr. SEAKWOOD. Vitally so, Senator.

You see, Senator, my feeling is that, if we are going to have this sort of action determined solely by a Tariff Commission, I personally would not feel confident that all of the important facts had been weighed that would affect the safety of this country, and I admit that we must give real consideration—honest consideration—to the extent to which people and industry might be hurt by reducing the tariff; and, by golly, if its reduction will hurt more people than it will benefit, then we should not reduce it, and that is why I said that I was not for free trade at this time.

But I do not know of any other way to get a full consideration of all of the facts than to have all of the agencies of this Government, including the Tariff Commission, make their recommendations to the President, who will assume the full responsibility for making the deci-

sion, and who, goodness knows, has taken on greater responsibilities before and who will continue to assume greater responsibilities tomorrow. Why, he could commit us to what might possibly be termed a "defensive action" in Formosa—and I see no reason to feel that a lesser responsibility such as this is something that he is not capable of undertaking, assuming properly, or that we should have fear about it.

Senator LONG. Now, there have been statements made by Senators, such as Senator Barkley, who recalled incidents at the time of the Smoot-Hawley Act. He once told me and he made the statement that at the time the bill was reported on the floor as the committee chairman walked in there you could see the log rolling down the aisle and so much back-scratching had taken place that blood was dripping from his shirt. Other oldtimers have also told me all this horse swapping and trading done on the old tariff bill.

Now, you feel that the President is perhaps better qualified to get the overall picture and make a judgment as to the entire Nation's interest as to whether or not reduction in tariff should be made in regard to a particular item?

Mr. SEAKWOOD. Yes, sir. And I also feel many of the people who sincerely believe that doom will befall us if this bill goes through, will continue to prosper as in the past. And I recall reading with a great deal of interest that Mr. Zellerbach, indicated in a recent address to his paper and paper-products industry, that while that industry has maintained an historical advocacy for high tariffs, it has considerably expanded over the past 20 years despite tariff reductions and domestic competition from abroad.

Now, certainly, some people will be hurt by reductions and for that reason we have those safeguards in the bill which I think are reasonable. Moreover, I refer again to our experiences, which have shown that the mere fact that a foreign competitor can sell his product for less does not in and of itself spell doom to the higher priced United States product competing with it.

Senator LONG. I am frank that I have no fear in leaning toward freer trade if we can feel fairly sure that we are improving living standards. The only part that concerns me is that I would like to have some confidence that in permitting people to sell to us it would mean a gradual improvement of their living standards because that makes them better customers. Central and South American countries are an illustration of what I have in mind, where there are some areas in which the cost of production really has nothing to do with the article. I mean, labor does not share there as it does in this country in the profits made by the industry, or at least nothing like the degree to which our labor benefits.

Now, if those people make more money they can buy more. For example, Cuba sells more sugar and it buys rice, and if those people over there get more, then they are going to buy more rice from the United States.

Mr. SEAKWOOD. Well, I think that it will undoubtedly and in time become a natural consequence of a stronger economy abroad. Let us look back at our own history. After all, we did not start with the standard of living that we have now. We developed it through ingenuity and resources and where the resources were lacking we found

substitutes, and thus we became industrialized. As greater profits were made labor received more income and a greater purchasing power. As a result, they could buy more, and in that cycle the standard of living has been increased. It will be the case with other countries, I am sure.

I am of the opinion that as the economic conditions in these countries stabilize and we help to develop them, that certainly hand in hand there will be a general uplifting of their standard of living.

Senator LONG. And your position is that you are willing to take the chance, as far as your industry is concerned, that your protection will be reduced to the same extent as anyone else?

Mr. SEAKWOOD. Well, we may not be typical, but we do have Japanese competition. I refer again to our rocker shovel, which is an underground mechanical loader, and which is probably the greatest single piece of equipment accounting for the rate of production of underground mines today.

Now, we are selling that machine to the Japanese in spite of the fact that they have an article there which, if you saw a picture of it and compared it with ours, you could not see the difference. I refer to a Japanese-made loader; and yet we are selling our loaders to Japan.

Now, of course, every company does not have a comparable situation.

Senator LONG. I was wondering how you could sell in Japan under those conditions.

Mr. SEAKWOOD. I will refer you to a statement that was made by the director of one of the biggest mining groups in South Africa. We were discussing the competition of the locally made, lower priced loaders in South Africa and he said, "We are prepared to buy our products because we do not feel that we are just buying price. We are buying better performance, better quality, better maintenance, excellent service, and we are buying your company's integrity and all of the intangible benefits that flow from your continued engineering research."

Now, mind you, that man represented approximately 80 gold-mining companies, and the price of their end product, that is, gold, is fixed on the world market. Of course, he did not mean that his company will entirely disregard price, but merely that they are prepared to pay more for the added benefits they get from us as an American manufacturer. They are, however, looking beyond the mere saving of a few dollars if they can get something better. That is why they are buying our product.

Senator LONG. Well, to get it down to a very simple proposition, it is just like a man who buys a good razor blade, he could get a cheaper one, but he buys the better blade because he likes the way it shaves.

Mr. SEAKWOOD. Also, Senator—and I hope that this does not open up a new point of contention at this late hour—nobody today has mentioned the fact that the public stands to benefit considerably if given a fair opportunity to choose among products available under normal conditions, from foreign as well as domestic sources, to choose these products which best suit its needs and ability to pay. But, certainly, if we should get to the point where United States industry would be materially threatened because American manufacturers are not competing properly with imports, then in my opinion, we would have another wave of buy American sentiment, which we had before, and I think that everyone in this country would rally behind it.

However, I am sure that we will never reach that point; the slight tariff reductions permissible under the bill could not possibly have that effect. Moreover, the President can be expected to continue to act in a manner that is representative of the best interests of industry, our economy, and the country as a whole.

Senator LONG. Now, there is a considerable number of industries that we must have even though someone else can produce the item more cheaply, because they are essential for the defense of this country. We must have those essential industries, even though those products can be produced elsewhere of better quality and cheaper.

Mr. SEAKWOOD. That is right.

Senator LONG. And to give an example, we have to keep the watch industry operating in this country, and it does seem to me that there is a very large number of industries which should have at least a minimum production, even if they could not meet foreign competition because we would need those industries in the event we were forced into a national emergency.

Now, I suppose you would agree that perhaps there should be some device by which we could assure we would have a minimum amount of national production of items essential to defense?

Mr. SEAKWOOD. By all means. I have enough confidence in the administration of this bill to feel that that very situation will be protected, and that we will not find ourselves with some essential industry having disappeared because of overly competitive imports. Certainly, of paramount importance is the defense and interest of the people as a whole.

Senator LONG. Thank you very much.

Senator MALONE?

Senator MALONE. Mr. Chairman, we are familiar with Mr. Zellerbach's operation; I presume you are.

Mr. SEAKWOOD. No, sir; I do not think that would be a proper assumption. All I had read was a speech.

Senator MALONE. Well, if all you did was read a speech, then I should not cross-examine you on your opinion on the speech, because we will just be going into generalities entirely.

Mr. Zellerbach was very much interested in foreign products, and I have known his family for many years, and I know the father, or I knew him 25 years ago.

Now, as they become more interested in international production, they become more interested in the lowering of the duties, and Mr. Zellerbach's record is in the record here. It was put in the other day. Now, I don't blame Mr. Zellerbach and I don't blame Mr. Ford for asking to have those plants, 26 plants, I believe, outside of the United States, and I do not blame Mr. Coleman—and his record is in our record—for the plants outside of the country. I only blame the Congress that makes possible this operation of shipping the materials abroad and manufacturing in foreign countries, and then shipping the completed products back here at a profit.

I did not intend to bring Mr. Zellerbach back into this except that his record is in the written record today, and so is that of Mr. Taft. He brought it up, and he is a very prominent member of his organization. Now, I do not blame Mr. Taft. I do not know whether you were here during the questioning, and my only purpose was that I

wanted to put Mr. Taft on record as to what he believed on the various points, just how he thinks it ought to be done, and how you would profit by it.

Now, Mr. Taft said that it was not even necessary to have the watch industry. The President, if he wanted to decide that way, could, could he not?

Mr. SEAKWOOD. Well, he certainly would not decide whimsically. I mean, he could, yes.

Senator MALONE. Of course, he could.

Mr. SEAKWOOD. But if he did it would not, I am sure, be on the basis that "we don't need the watch industry." Such decision would instead rest upon the conviction that there was something more important to protect than the watch industry.

Senator MALONE. Well, I don't know what he is going to say, and I do not think you know what he is going to say, because he is going to say just what his advisers put in front of him to say; he does not have the time to study it himself. I have the highest regard for him, but one man cannot know all the things that he has to know or to judge what should be judged by a special agency of the Congress, the Tariff Commission, which should be doing that.

I am going to again ask you if you know that under the 1930 act it was absolutely impossible to have any so-called log-rolling in Congress. We heard Mr. Barkley. Now, Mr. Barkley has a sense of humor that applies even to this thing—mine does not extend that far. Don't you know that it is absolutely impossible to log-roll under the 1930 act except by going down and appearing as a witness before the Tariff Commission? That includes any Senator or Congressman, just like anybody else?

Mr. SEAKWOOD. No, sir. I have already stated that I have no familiarity with that act.

Senator MALONE. Well, let me inform you, and if you find any difference from what I say and what is the fact, you write me about it, will you, sir?

Mr. SEAKWOOD. All right, sir.

Senator MALONE. And talking about what is essential to the national defense, our economic structure and our industries are essential to our national defense. If we are going to destroy our economic structure and destroy our industries, then we are destroying the greatest source of national defense that we have in the whole world. Yet here we are ready to trade a sector of it and you can say, "Well, we will not injure industry here that is necessary for national defense."

And yet that is the same thing, you are destroying it, what you are destroying is the greatest thing and the most necessary thing in the world to maintain—

Mr. SEAKWOOD. Senator, can we reverse the roles and can I ask you a question?

Senator MALONE. You certainly can. I am just as anxious as you are—you have been answering me and I will answer you.

Mr. SEAKWOOD. Aren't the over 3 million people directly involved in exports also American workers and entitled equally to the right to be gainfully employed?

Senator MALONE. You are entitled to protection on the basis of fair and reasonable competition, just like any other workers in the United States.

Mr. SEAKWOOD. And my second question would be—

Senator MALONE. And nothing more or less unless Congress sees otherwise. I am not talking about the mere fact of passing a special act like an act for sugar or agricultural commodities of one kind or another, but about a policy or principle in which you are entitled to the same protection that everybody else is entitled to.

Mr. SEAKWOOD. All right, and don't you believe that if they lost their jobs that would also deprive a sector of our economy of its stability?

Senator MALONE. I think they would lose their jobs when they have no protection, protection on the basis of fair and reasonable competition on imports, to even the balance of competition with these foreign producers, and they can take care of competition with the domestic producers. That is all that they should have. We should have that policy and it should be with the Tariff Commission to determine, and I told you that 50 times.

Mr. SEAKWOOD. Senator, I have not seen anything in this legislation which would protect the jobs of the export worker at all or one worker who is manufacturing for export.

Senator MALONE. No, except you can trade one industry for another one that might keep the job of these workers that you are talking about, by sacrificing another one.

Now, I am not for sacrificing anything in the United States of American to increase another sector of it.

Mr. SEAKWOOD. In this complicated world of ours—

Senator MALONE. You asked me that question. Is my answer clear?

Mr. SEAKWOOD. Yes, sir, but it seems to me that along the way and as we try by legislation to do the best we can, some people indubitably do get hurt—we do not intend them to.

The real test to be applied is not whether anyone is likely to be harmed but whether the interests of a greater number would be served and whether a lesser number would be harmed.

Senator MALONE. You mean the effect on the whole economy.

Mr. SEAKWOOD. In legislation of this kind something has got to "give," one way or the other, and—

Senator MALONE. Would you be interested in what the Secretary of State said on that subject?

Mr. SEAKWOOD. Is that the statement that you read before?

Senator MALONE. That is correct. You must have forgotten it.

Mr. SEAKWOOD. No, sir; I did not.

Senator MALONE. Because he said in effect that if they did injure some of the weaker industries it was justified. Well, I will use the exact language, so that I will not misquote him, because he is not here and I do not want to take advantage of him just because he is not here, and I want you to know his exact language.

I asked him the direct question and this is what he said in answer to that direct question:

I do not think you can have imports without some damage and if your rule is that you will not have imports or tariff reductions or sustain them if there is no damage to anybody—

and that was in regard to the escape clause and the peril point—

then I think it becomes automatically unworkable.

In other words, he intends to injure somebody and he believes that it is justified. Is that what you believe?

Mr. SEAKWOOD. I do not believe he intends to injure anybody.

Senator MALONE. You don't believe that?

Mr. SEAKWOOD. No, sir.

Senator MALONE. You don't believe what he said?

Mr. SEAKWOOD. I do not think that we can reasonably find such inference from that.

Senator MALONE. Well, let me read you another one. I guess I will just have to back up here and give you a little lesson about the State Department people, what they believe in this matter.

He was asked this question:

Do you agree there is authority in the act to trade away an American payroll to serve an international purpose?

That was the 1934 Trade Agreements Act. And I think that the answer ought to satisfy you. Secretary Dulles said:

Conceivably so, yes. We do a lot of other things which do injure other American people to serve the international purpose.

Now, does that enlighten you as to what he believes it will do under this act?

Mr. SEAKWOOD. Well, sir, I have not read the entire statement.

Senator MALONE. Well, I will read it if you insist.

Mr. SEAKWOOD. I am inclined to believe that perhaps if the whole attitude of Mr. Dulles was developed—

Senator MALONE. It will be, on the record, I will guarantee that.

Mr. SEAKWOOD. I do not believe his statement would sound as strong if it were fully developed. I am inclined to believe that he intended that statement to be qualified; but I am not passing judgment here; I don't think I am qualified to do that.

Senator MALONE. Well, Mr. Dulles was an honest witness, the first honest witness, completely truthful, that I had ever heard from the State Department, because he sat right there and he answered the questions, I believe truthfully, and he said what I have read to you and a lot more that I have not read yet.

He did not go off into a philosophy of government; he just sat there and he said that he thought we could do it under the law and that it was justified, he said that; that is what he said, and if you want me to read the whole thing, I will read it.

You still don't believe it, is that it?

Mr. SEAKWOOD. No, sir.

Senator MALONE. Well, I will read some more.

Mr. SEAKWOOD. My support of this bill is not based upon any particular remark that anybody else may have made. I have my own reasons, which I have stated, and on which I will stand.

Senator MALONE. Well, does it mean anything to you that he, as the head of the State Department, advocates it and carries it out, and what he believes can be done and must be done to get his objective?

Mr. SEAKWOOD. I think that his statement was undoubtedly guided by those principles he considered to be in the best interest of our country, and I think he endeavors to work by them, just as you and I.

Senator MALONE. And he said all he could and should do under the act, didn't he?

Mr. SEAKWOOD. I am sure that he went on to develop that further.

Senator MALONE. I am sure that he is going to develop it further, I will see to that. And this is what he said, not what I dreamed up, but what he said.

Does it mean anything to you? If it does not, maybe I better continue to read.

Mr. SEAKWOOD. It does not alter my position.

Senator MALONE. I understand that, nothing would alter your position and you have made a very fine statement, I think, just as well written as anything that has come before this committee, and I think it is all clear, it all goes, if I may say so, to your hoping that it will support the sale of the machinery in which you are interested.

Mr. SEAKWOOD. I think you do me an injustice personally, Senator, to say that.

Senator MALONE. I am sorry.

Mr. SEAKWOOD. I do not believe—

Senator MALONE. Because it is subject to that interpretation, that would be a very fair interpretation.

Mr. SEAKWOOD. Senator, we are acting on principle, just as you, and, of course, we differ.

But the fact remains, Senator, that nobody has yet given me any reason to believe that the denial of dollars in the hands of our overseas customers or those of other United States exporters would not adversely affect a larger segment of our economy, industry, and employees than if this bill was passed.

Senator MALONE. When we gave the dies to the Russians to print our dollars, it was to help our trade, sir, and that is what it did, and maybe you would advocate giving these foreign nations the dies so that they would have dollars.

Mr. SEAKWOOD. Quite to the contrary: I am talking about the continuation of trade involving the United States manufacture of our products which keeps our people employed.

Senator MALONE. And other industries, it could benefit yours, but other industries in the industrial map of the United States would be sacrificed in the interest of one economic segment, that is what it means.

Mr. SEAKWOOD. Senator, we are one segment of the United States economy just as are other companies and industries, and we stand up to get counted as well. If our exports drop, our payrolls decline, and then in our segment of the economy people will be out of work. The local tradesmen with whom they deal, that is the butcher, the baker, or the automobile dealer, and so forth, all the way down the line, are affected. The millions of dollars of goods that we annually buy for production will not be bought and the hundreds of thousands of dollars that we have paid for freight to ports of embarkation will not be paid. This circumstance will be repeated over and over again and felt by the thousands of companies similarly situated. It therefore seems to me that the export producer, his employees, and those companies and their employees who serve the export industries should also receive recognition as an important factor in the United States economy.

Senator MALONE. Why, of course. You want protection for the thing that you think is important.

Mr. SEAKWOOD. We are not asking for it.

Senator MALONE. You have it already. You did not say you wanted to have it removed and you are not saying that now.

Mr. SEAKWOOD. We are not competing with any foreign manufacturer in this country, but I do not believe it is because of any protection.

Senator MALONE. You just did not think of it in your statement; is that it?

Mr. SEAKWOOD. I would not have mentioned it anyway; I do not think it is material.

Senator MALONE. Well, I am just saying that you did not put it in, anyway.

I think I am through, Mr. Chairman. I think I have everything I need on the record.

Senator LONG. My next witness is Mr. Rivinus of Smith, Kline & French Laboratories, Philadelphia.

Will you proceed, Mr. Rivinus?

STATEMENT OF F. M. RIVINUS, JR., PRESIDENT, SMITH, KLINE & FRENCH INTERNATIONAL CO., PHILADELPHIA, PA.

Mr. RIVINUS. My name is F. M. Rivinus, and I am a vice president of Smith, Kline & French Laboratories in Philadelphia. Because all of our advertising is done to the medical and pharmaceutical professions, we are less widely known to the public than our sales volume would indicate. Last year our consolidated sales were over \$65 million, and we are among the top 7 or 8 American companies in our industry.

I am in charge of all the foreign selling activities of my company. For the last 20 years, foreign sales have represented an important contribution to the company and have represented about one-fifth of the domestic pharmaceutical volume.

I would like to testify in favor of H. R. 1, both as a pharmaceutical manufacturer and as an American consumer.

I believe H. R. 1 is good for my company in the United States, as well as outside it. Selling abroad today is a lot like selling in the Southern United States as recently as 15 years ago. The customers want more of our products but cannot pay for them. Anything that helps potential foreign customers earn more dollars is good for my business and for American business in general. H. R. 1, even though it is only a mild step in this direction, is a good one.

Opponents of H. R. 1 have said that previous concessions under reciprocal trade acts have done us no good in improving exports. I do not think this is true. Since January 1954, 31 nations or territories have eased their controls on United States exports.

My own company directly benefited from this. For example, in 1954, for the first time since 1947, we were able to ship certain types of products from our factory in Philadelphia to England. During the past 3 years, there have been noticeable relaxations in British controls which have helped us in particular instances.

Until world trade is in better balance, we cannot grumble on the restrictions which are placed on our exports by many foreign governments. We cannot insist that they go on forever buying more than

they can pay for. It makes perfect sense for a foreign government short of dollars to be able to decide what they will spend those dollars on. Food and raw materials must come before products more attractive to individual consumers which are not daily necessities and which, in many instances, fall into luxury classifications.

I know that you have been told that foreign labor is cheap and that tariffs must be used to balance the low cost of products resulting from it. Usually, such cheaper labor is less efficient and results in a more expensive cost of goods. I would like to give you examples from my own experience that prove this.

In some 14 countries of the world, we have found it desirable to do partial or complete manufacturing of some of our products. The product which we manufacture most widely abroad is a good example that foreign labor, although cheap, does not result in a cheaper factory cost. In India, for instance, where we manufacture this product, it costs us two and a half times per ounce to put this product in its finished sales pack, although I believe the labor rates in India are probably the lowest we use anywhere.

Senator LONG. What are they?

Mr. RIVINGS. I cannot say, we do not have detailed classifications, broken down by skills. There are some 8 or 9 different skills, none of which are directly identified with the costs or with the others that we use.

However, they are considerably more wasteful and sloppy about things and it takes a long time for any semblance of production flow to go into their heads.

I cannot compare it directly to any of the other countries.

In no other country do we have a lower cost than that in the United States; and in at least one other place, the cost of the finished product is even higher than India.

In an examination of two other products which we manufacture abroad, this ratio holds true. Our products, where we manufacture them abroad, are almost always more expensive, tablet for tablet, and ounce for ounce, than in the United States when they leave the factory.

Foreign labor often may be cheaper per hour than American; but it is less efficient in almost every case; and, combined with the equipment, volume of production, and cost of chemical analysis involved, it results in a higher unit cost of product than we enjoy in the United States.

There are several countries in the world in which we are being forced to curtail or abandon our selling effort because these countries are unable to earn enough dollars to import our products or to allow us sufficient dollars to remit the profits to Philadelphia that we have earned in those countries. A typical example of this today is Chile. This is one of the normal hazards of foreign selling; but, as we know so well in the United States, a continued high level of business activity is beneficial to the economy. Anything that raises and serves to maintain and stabilize American foreign trade will help America. H. R. 1 will help do this.

The American pharmaceutical industry today is a world leader in its field. The products of our pharmaceutical and medical research are sought after by the entire civilized world. In most countries,

we could compete satisfactorily with world pharmaceutical manufacturers, both native and foreign to the countries in which we sell, if those countries themselves were able to earn more dollars to buy our products. Any improvement in their ability to earn dollars, however slight, is going to increase American profits as well as American employment.

Let me now talk briefly as a consumer. I have always enjoyed bicycling and have a family of seven children who also like to ride bicycles. As consumers, we own eight bicycles of American and foreign manufacture of varying ages. The cyclometer on my own bicycle reminds me that in the last 15 years I have ridden better than 4,000 miles. I am pretty sure I am right in saying that no American bicycle today is the equivalent of British bicycles in quality of manufacture or in ease of repair, and I do most of the maintenance and repair on the family's bicycles. It seems a dirty trick to the American consumer in any way to limit the importation or raise the cost of bicycles for our Nation's children, in order to subsidize a small and surprisingly unprogressive domestic industry.

Three or 4 years after the war, I talked with a British trade commissioner in Philadelphia who was on a trade mission to the United States to stimulate British exports. I asked him why, with their superior product, British bicycle manufacturers did little or no advertising in the United States. His answer was a sad one to hear from a businessman. He told me that British manufacturers were apprehensive lest a vigorous American-type advertising campaign might bring tariff increases or quota limitations against them because the attention of the public might be attracted and because it would increase sales to the point where American manufacturers would complain. Such arbitrary "restraint of trade" is a real threat and is hardly in keeping with the American philosophy of strong and fair competition. When it comes to imports, we still have a double standard of morality.

From other talks with foreign manufacturers, I know that this viewpoint is still held, and it seems to me a very sad reflection on our economy. All of you with previous business experience know that a market does not develop in a few months or even in 1 or 2 years. It is common with us to advertise heavily during the introduction of a product and to lose money during the introductory stages, in the expectation that sales will rise and that the profits in subsequent years will pay for the introductory advertising. If any American businessman were prevented from doing this in his home market or in foreign markets, he would complain very loudly; and yet that is exactly the risk faced by every successful foreign manufacturer who sells in the United States.

H. R. 1 is not perfect, but its passage will give foreign manufacturers and American importers a reasonable assurance that the United States intends to follow a consistent policy for at least 3 years, which is not a long time in the eyes of the businessman. It seems to me that we owe it to the American consumer, as well as to the foreign manufacturer, to observe the Golden Rule.

I hope that H. R. 1 will be recognized for what it is, a modest step in the right direction, which will indicate our Nation's intentions toward world trade, even though it is a mild, and in some instances, unsatisfactory piece of legislation. It represents an attainable com-

promise, and it will do the American consumer and manufacturer good.

Senator LONG. I want to compliment you on your stand. I think it is very fine. You have mentioned these manufacturers of these products in India. What do you manufacture there?

Mr. RIVINUS. We manufacture a liquid tonic, as they call it in the drug trade, something to take during convalescence. We manufacture Eskay's Neurophosphates which have been on sale in this country for from 52 to 53 years, and is still in use by the medical profession. It has a green color.

Senator LONG. Is that the trade name?

Mr. RIVINUS. Yes, sir.

Senator LONG. Is that the product you mentioned that you manufactured in India?

Mr. RIVINUS. Yes, sir. That is the one of which we have the largest volume in India, and consequently the largest—the best comparable rate.

Mind you, we are not proud of the costs. We are trying constantly to reduce them by the combination of raw materials and various other factors, to make it an inexpensive job.

Senator LONG. What are some similar products that you manufacture and sell?

Mr. RIVINUS. We have products for anemia. We have liquid penicillin or oral penicillin, that is used in place of injection.

Today we have a product called Chlorazene and a fairly strong line of nasal preparations for the symptomatic treatment of colds and some of them contain various antibiotics and vasoconstrictors, which, you know, make breathing easier—products known as ethical pharmaceuticals, in that they are advertised only to the doctors and not to the public.

Senator LONG. As I understand you, you feel that if this type of legislation should result in a vast increase in our purchases abroad, it would correspondingly result in a vast increase in our sales abroad?

Mr. RIVINUS. Yes, sir; I think it would go up in reasonable proportion.

I do not know what people would do with dollars if they do not spend them eventually in one form or another in the United States, otherwise it is useless, as if you were to take postage stamps and keep them and never use them. It would be money down the drain.

Senator LONG. Thank you very much.

Senator MALONE?

Senator MALONE. Is there any other reason why you manufacture the material in a foreign country like India, besides it is just handier to do that?

Mr. RIVINUS. Well, in our particular industry there is a multitude of different local regulations.

Senator MALONE. Well, what are those?

Mr. RIVINUS. Those are health regulations, and there is the labeling of your products, and the contents of your products, and in some cases we have found that shipping the formula in this country or from another country is impossible because of some particular regulation or cost factor.

Senator MALONE. And you find that same thing true in foreign countries, that it is impossible to ship your product in?

Mr. RIVINUS. It is not entirely impossible——

Senator MALONE. But it is very difficult?

Mr. RIVINUS. It is difficult.

Senator MALONE. Why?

Mr. RIVINUS. Well, you want or you prefer to have a constant flow of your goods, and you cannot advertise in this business, and so you cannot turn off the market, because if you do, then you lose the market. You want consistency of flow of your product in a country.

Senator MALONE. Well, why do you have to manufacture there? Let us have that on the record. What is the truth behind it, what is the true reason for it? I do not want to ask questions just to be asking questions, but I want you to get it out. Why do you do it?

Mr. RIVINUS. Actually, it is a combination of factors.

Senator MALONE. A combination, you say now?

Mr. RIVINUS. Yes, sir.

Senator MALONE. Well, give us those factors.

Mr. RIVINUS. Well, Senator, not the least——

Senator MALONE. Give us that combination of factors.

Mr. RIVINUS. Not the least of it is their inability to pay the dollars for the import every time that we are ready to make another shipment.

Senator MALONE. And does the fact of their regulations on imports have anything to do with it?

Mr. RIVINUS. Yes; indeed.

Senator MALONE. And what are those regulations?

Mr. RIVINUS. Usually those regulations are based on the availability of dollar currency, which they break down——

Senator MALONE. The fact is that they simply will not let you bring it in; isn't that correct?

Mr. RIVINUS. Not on a regular basis. That is correct.

Senator MALONE. Well, that is helpful. We have gotten that far; haven't we?

Mr. RIVINUS. Yes.

Senator MALONE. Well, that will save us both some time.

So, you have to have your products manufactured there, isn't that true to a large extent in many of the foreign countries?

Mr. RIVINUS. That is correct.

Senator MALONE. Now, those are the kinds of things that I like to see in the record.

Now, I don't want to have to stay here until 8 o'clock in the morning, and I know that you are getting sleepy, and it is just crazy to evade questions, especially with my disposition.

Now, I think you put your finger on one of the troubles, when you try to sell to a community more material than the income of that community will justify—and you find that in this country; don't you?

Mr. RIVINUS. Yes, indeed.

Senator MALONE. Is it not reasonable to suppose that you will have that same trouble in any community or any nation in the world, if you try to force sales beyond the income of that community?

Mr. RIVINUS. That is quite correct.

Senator MALONE. Now, in this country, we have what is called installment buying and selling, and that was regulated to a large extent, I know, during the war. There was permitted a certain percentage of that installment buying and selling. Do you remember that?

Mr. RIVINUS. Yes, sir.

Senator MALONE. There was quite a lot of it done; wasn't there?

Mr. RIVINUS. That is correct.

Senator MALONE. And you did not like that very well, to have them regulate your affairs, where you could use \$20 and you could sell for \$1 down and 20 months to pay. That way you could sell a lot more radios than if you had to get the \$20 first.

Now, they call that installment buying, and you can go right on down the line—take automobiles, you do that with automobiles, and if you have another automobile to trade in, well they will give you another one, a new one, for practically nothing down and so much in payments; isn't that true?

Mr. RIVINUS. That is done; yes, sir.

Senator MALONE. It is quite the custom; isn't it?

Mr. RIVINUS. I don't know, I have never done it, but I think that most people when they do not have the cash to pay for something, do not buy it.

Senator MALONE. Well, a lot of people do buy when they do not have the cash, don't they—isn't that what the argument is all about?

Mr. RIVINUS. That is correct.

Senator MALONE. And a lot of them say, nevertheless, that they think it goes for good business. I do not understand it too well; I just know it goes on and that people that have products to sell say that they could not exist without it.

Now, then, when a community is short of dollars and we continually try to oversell them, we have a situation which we call a dollar shortage. So we either get the money from the taxpayers and send the money over there, or we do something like creating the "Trade, Not Aid" slogan. Along that line which I have mentioned before this morning, I know where that slogan originated, and all about this business of reciprocal trade and the dollar shortage, and so on. That is in the Congressional Record, and if you ever run across it, read it. You will find it very interesting.

And, after all of the hullabaloo is over you have this psychology that made that particular slogan and all of these other slogans. We have a Nation that lives by the side of the radio and TV, and nobody thinks any more about sitting down in the cool of the evening; they give that no thought. Isn't that about right?

Mr. RIVINUS. I believe it is good for our economy, sir, to increase trade rather than decrease it.

Senator MALONE. Well, I am not in favor of decreasing trade, either, when it is really trade, but I am not for all of this business of—well, trying to oversell a nation. That usually means giving them the money to be able to buy our products or giving them a sector of the trade over here so that another country may increase its sales; isn't that about it?

Mr. RIVINUS. That is about it, but—

Senator MALONE. Well, I think that we are going to shorten this examination. I have been here for 2 long weeks taking about 2 hours or so with each witness to get a man to tell the true facts, and you have told them the first thing jack out of the box. Each man that comes here is hoping that he will benefit, isn't that about right?

MR. RIVINUS. I think that most of them have been honest in saying they hoped the Nation will benefit.

Senator MALONE. Well, yes, I know that, they come down here, witness after witness, waiting for their turn to testify, and they all hope that this act will build up their own business.

Well, I won't take too much time for this. Isn't that about right, that they hope that they will fit into this picture so that it will increase their business?

MR. RIVINUS. I think there is a little bit of innuendo in there, and I doubt if you meant that. I think that anything that increases our business is good, whether it is sold abroad or here.

Senator MALONE. And you believe that if they decrease the business in one industry, you believe that if it is good for some international ailment. You feel that if they ignore what the Tariff Commission says about the peril point and the escape clause, but instead go ahead on their own individual judgment, that is good for America?

MR. RIVINUS. I believe that is true, yes, sir.

Senator MALONE. Now, you believe it was a good thing when we changed the policy—I hope you understand this without my going into too much detail—from the 1930 Tariff Act to the present act. In the 1930 Act, Congress directed a policy that was on the basis of principle. The Tariff Commission was to determine duties based on fair and reasonable competition without regard to any area of the country, but enabling every area of the country to develop alike. That was a principle set by law and that was the only criterion in determining this tariff or duty. It was based on fair and reasonable competition, considering fair and reasonable costs—not the highest cost nor the lowest cost—but the reasonable cost in this country as compared to the reasonable cost in a foreign country of that article or a similar article. These costs were weighed and difference was recommended as the duty—that was the sole principle upon which they could operate, was it not?

MR. RIVINUS. I don't know, I am not familiar.

Senator MALONE. You know, it is amazing to me that a businessman with your experience and with your obvious competence in your business has come down and admitted he has not read the principle that we had in the Tariff Act of 1930. Now, I am going to ask if you have read the act of 1934, the Trade Agreements Act, and if you understand what it says?

MR. RIVINUS. Yes, sir, and that is why I am here, and I hope you will extend it and not go back to something that obviously previously did not work or Congress in its wisdom would not have changed it.

Senator MALONE. With that I don't agree. That is your opinion.

MR. RIVINUS. Yes; that is my opinion.

Senator MALONE. I am glad to put it in the record.

MR. RIVINUS. I want it in the record.

Senator MALONE. In other words, for 75 years we had our ups and downs, but we had protection through the duties or the tariffs arrived at on the basis of fair and reasonable competition.

Now, some of the tariffs might have been wrong. They may have been too high or they may have been low. There may have been some mistake. But all of them were made with the idea of arriving at, as nearly as possible, fair and reasonable competition.

Now, the 1930 Tariff Act was the cumulative experience of Congress. It was determined to see to it that there was no logrolling and that there was no way by which the Tariff Commission, could change that principle of fair and reasonable competition.

Now, the principle of fair and reasonable competition has been changed to include all of these international and political factors. The constitutional responsibility of Congress to regulate the foreign commerce and trade has been transferred to the Executive, a different arm of the Government, and they have given the Executive the wide latitude he has.

That is what you are supporting; is that what you wanted?

Mr. RIVINUS. Sir, if that power does not still remain in Congress, why are we debating it here for?

Senator MALONE. It does not remain in Congress, it has been transferred to the executive branch. Now, we could decide not to renew this, which I hope we do decide—

Mr. RIVINUS. Then it does remain in Congress still.

Senator MALONE. No; it does not. It is not today, but it will be in the hands of the Congress, if this act is not renewed. Every protection will then be back for every product under the Tariff Commission, an agency of Congress, if this act is not renewed except those covered by trade agreements. Where there are trade agreements the law is that the President may at his discretion serve notice on the country with which that trade agreement has been made to cancel it. Then after a certain length of time it is back to the Tariff Commission, so that the fair and reasonable competition principle is again operative. The Tariff Commission again will have only one obligation, and that is to determine the difference in cost, effective cost, effective labor difference, that is to say the efficiency, consider these and arrive at a fair and reasonable competitive situation so as to give every workingman in the United States equal access to the American market.

To do that, in my humble opinion, is to let this act expire. If we extend the act, then you will still have all of these political factors that you have heard of today, and you will allow the Executive, a different arm of the Government entirely, to be the sole judge of whether or not they will remake a certain part of the industrial map of the United States.

Now, do you understand? Are you for it?

Mr. RIVINUS. I am for it, and I believe that the Executive acts within a broad outline of policy and limitations established by Congress.

Senator MALONE. That is right. And you believe in that?

Mr. RIVINUS. Yes, sir.

Senator MALONE. Well, that is all I want in the record, that is good enough, we are going to shorten this a little bit.

Now, do you say—you dwelt a good deal on the efficiency of foreign labor, rather the lack of efficiency of the foreign labor.

Would you say for the record that Germany, India, France and Scottish labor—as a matter of fact, most of the labor in Europe—are not as efficient workmen as Americans after they have had a certain amount of experience?

Mr. RIVINUS. I am not prepared to answer that. All that I can do is to give a specific example of the actual industry I know. I have

read a great deal on both sides. It is an elaborate problem, which you have heard more of than I have.

Senator MALONE. Well, I would hate to say that the German labor is not as efficient as almost any Nation in the world. And of course there is England when it comes to manufacturing—

Mr. RIVINUS. Well, from what I have seen in the factories I have visited in England, the direction is not the same. That is an important factor, isn't it?

Senator MALONE. Of course, it is.

Mr. RIVINUS. And the equipment is not the same.

Senator MALONE. But, of course, in some cases it is the same, because we are sending it over there and American companies are going over there because we have continually since World War II favored foreign nations over the workmen here. Now we have a bill before us to give industries a 38 percent advantage in income-tax payments if they just go over and exchange the money.

Mr. RIVINUS. I would like to comment on your earlier remarks, sir.

I believe it was your impression that would then enable the American companies to produce cheaper goods and bring them back into this country. Now, as I understand it, that is an extension of the Western Hemisphere trade, that is effective for Latin American, under which we cannot bring the goods back to the United States.

Senator MALONE. Well, I am going to check that now, because I cannot say positively that I am right about it, but I am virtually certain that this act before us applies to any place, that you may go with your capital outside of this country and get that favoritism in this income tax.

Mr. RIVINUS. I believe that is correct, but you cannot make sales from that foreign manufacturer into the United States, that is strictly prohibited, I believe, by the act, and the corporation must engage in trade or conduct it 95 percent outside the United States.

Senator MALONE. I believe if you sell more than 5 percent of your products, you would not be entitled to that.

Mr. RIVINUS. That is correct, I so understood it that way.

Senator MALONE. Yes. I am under the impression, sir, that you are wrong, but I cannot say so definitely. I shall check. I feel that is not the provision of the act, but it may be and I will check it.

Mr. RIVINUS. We have operated under the similar act that applies to the Western Hemisphere now, since 1944. So, I am somewhat aware of that provision.

Senator MALONE. And you do operate in some South American nations?

Mr. RIVINUS. Yes, sir; all of them.

Senator MALONE. Do you manufacture your stuff there?

Mr. RIVINUS. Yes.

Senator MALONE. In about how many of them?

Mr. RIVINUS. In eight of them.

Senator MALONE. Why?

Mr. RIVINUS. Again, because of the higher cost of goods originally, and today because of import restrictions, where dollars are unavailable and higher cost of goods.

Then, we can haul them down or freight some of the products, and the freight amounts to a good amount of money, because it is fairly heavy and peculiar rates and duties are applied to them.

Senator MALONE. Well, their permits on imports simply are not surmountable, is that right?

Mr. RIVINUS. They are surmountable, sir, but many times with costs which we are unwilling to accept, where we cannot maintain consistent sales.

Senator MALONE. In other words, you believe they charge you so much it is not worth it?

Mr. RIVINUS. Correct.

Senator MALONE. And this has been going on for 21 years, isn't that right? That was established by this reciprocal business, for reciprocal purposes. Of course, I do not believe in that, but I do believe that many people who voted for the act expected or believed that it was meant to be reciprocal. As a matter of fact, it has not been, has it?

Mr. RIVINUS. Sir, I think you answered that earlier in the evening when you said that you cannot sell a poor man more than he can afford, you just cannot jam more products down his throat.

Senator MALONE. Well, that is right, and in other words you have to get them the money from the Secretary of the Treasury here?

Mr. RIVINUS. Well, that is beautifully put, if—

Senator MALONE. Well, go ahead and describe it in your own way.

Mr. RIVINUS. I think that as you increase your purchases from them, you increase their ability to purchase.

Senator MALONE. But if you increase your purchases in another industry, not yours, you increase the amount of that product here, won't you?

Mr. RIVINUS. Yes, sir.

Senator MALONE. And that is what you are for?

Mr. RIVINUS. Yes, sir.

Senator MALONE. Well, why didn't you say that, it would have saved us 10 minutes if you had answered the first question.

There have been quite a good many American investors abroad for the very purpose of bringing the goods back here, have there not, in the last 4 or 5 years, and are they not increasing?

Mr. RIVINUS. Excepting in such extracting industries as mine, I am not aware of a large flow of manufactured goods returning. Maybe there are.

Senator MALONE. You may not be aware of it, but I am telling you that it is a growing business, it is not a very large import, but it is growing and it is a very dangerous situation, and it is dangerous to the industries that you have in New England—

Mr. RIVINUS. Excuse me, sir, these were the results, I believe, of American capital going abroad to produce the products of reimportation into the United States.

Senator MALONE. And in many cases we gave them our taxpayers' money to build up a stockpile that they used to protect the market. That is described in our report here in our committee.

Now, for what they have done to our industries. I do not blame them. I blame the Congress. I could go on and on about that, but I don't think it is necessary to do that.

Now, there is no question about what is going on and, of course, we are encouraging it by this very thing.

In coming to this business of low-wage labor, that is another thing that we are encouraging, and I would like to have your opinion on that. If we did not have a tariff below that differential so as to give the American people access to the markets—and that is what the language in the 1930 act added up to if you take the profit out of it, or if we had a correct and flexible tariff today, we would take the difference anyway, so there would be no profit in holding labor down to those low wages.

I believe, and many people believe, a good many people including the senior Senator from Nevada, we believe that if we had that kind of a tariff, taking the profit out of low cost labor, it would not be very long before they would allow that labor to draw more money in those foreign markets and create a market over there so that they would even have a market at home eventually, which they don't have very much of now.

Whereas, the way we do it, we are encouraging them to hold their labor down because they can profit by it.

Have you ever thought of it or doesn't it make sense?

Mr. RIVINUS. I have not. My impression is there is a growing market in labor—after a 10-year gap—a visit to Latin America is really interesting. The purchasing power of country after country has increased their ability to absorb goods.

Senator MALONE. You are right, but don't you think we might increase it a little faster if they could not profit by lower wages in our market. That could and would follow if we protected our own markets, which we could do if we did not have all of these extraneous organizations like the General Agreement on Trade and the International Trade Organization and the International Conference and the United Nations Assembly, plus all of these other organizations. These wage gains and standard of living gains would follow if we no longer had them and if our markets were no longer in the pot. If you are the one that has the money and you don't sit down in the game, then the game does not go on, does it?

Mr. RIVINUS. You seem to know better than I, sir; I have never tried it.

Senator MALONE. Well, I had that very experience, so I do know about that. No, then there would be no game if we were not in it, and they would just pick up their marbles and go home very fast. But they are waiting there now, waiting for this extension, waiting impatiently for this act to be passed so that they can continue this division of our markets among the nations of the world.

Now, let me ask you a question here that occurred to me several times as you have discussed your industry. You say that you can compete and do all these things. You are in one phase of the chemical industry, aren't you?

Mr. RIVINUS. That is correct. It is something like the steel manufacturer, it is after the mining and the iron ore, and we come a little bit after the chemical manufacturer, although we do engage in certain phases of that ourselves.

Senator MALONE. And you want to say for the record that the chemical industry can compete with foreign nations in the chemical field

generally without a duty or tariff, what with the wages and living standards of the competing countries?

Mr. RIVINUS. Well, Senator, I am not qualified to say. I have only read the testimony, and we probably take different interpretations of it.

Senator MALONE. Well, I do not know what you have heard, but the testimony I have heard from the segments of the chemical industry that I am acquainted with is that in World War I we were dependent on Germany, and we had a terrific time in hastily improvising and securing the chemicals necessary to conduct that war.

Now, the direct testimony of the chemical industry is that at this moment we are going back to that pre-World War I basis, and we will get back to that basis if we continue the policy we are now following.

Mr. RIVINUS. And at the same time they admitted they were exporting three times what they are importing, and I believe that hardly indicates peril to me.

Senator MALONE. Well, I am glad to make your opinion a part of the record. But the testimony is that Germany is now coming up to around her usual prewar production. And you can bet on one thing, you don't have to help the Germans, they will work and they will fight. All that we had to do after the war was to get off of their necks.

Now, do you think with your knowledge of the chemical industry, with this policy of reducing tariffs on the chemical industry, that it could exist in competition with Germany and other nations?

Mr. RIVINUS. I certainly do, sir. I think they're one of the strongest industries this Nation has.

Senator MALONE. Well, I am glad to have your opinion. That is in direct contravention of all the testimony coming from the chemical industry; of course, you know that?

Mr. RIVINUS. Yes, and you know, I am not really qualified—

Senator MALONE. Well, I did not say you were.

Mr. RIVINUS. Well, you have been digging for it as if I were, and I thought I would help you out.

Senator MALONE. Do you believe, sir, that the policy in the 1934 act of considering the factor of international good will and economic factors between the various industries in this country, and the broad latitude given to the Executive and his advisers in determining whether or not a duty or a tariff might be lowered on an industry in this country, has an advantage over the 1930 Tariff Act principle of fair and reasonable competition that was laid down in that 1930 act?

Mr. RIVINUS. As I said, I don't understand the 1930 act, and I am quite sure it was a bad one or it would not have been superseded and remained superseded these 21 years.

And, as to going along with the President and any political party, I believe it is his responsibility within the—

Senator MALONE. Well, I will say again that I helped elect him in a national way and—

Mr. RIVINUS. But apparently you do not support one of the major planks in his party.

Senator MALONE. And I am going to support him. But, there are three branches of this Government—did you ever hear of the three branches created by the Constitution?

Mr. RIVINUS. Yes, indeed.

Senator MALONE. Are you completely sold on the theory that if any one branch does not follow what the other branches do, that it is disloyal, are you completely sold on that theory?

Mr. RIVINUS. Well, no; I am not.

Senator MALONE. Well, there is some hope for you there. I am for a resurgence, if you please, of the three branches of government with balances and checks on each other, which is the very principle established by George Washington and Thomas Jefferson and those other wise statesmen who wrote the policies under which our Government was formed. That is what I am for, and what I hope you are for.

Mr. RIVINUS. I am.

Senator MALONE. But we are not living under it now. Congress has abrogated, time after time, its constitutional responsibilities which were definitely fixed in the Congress by the Constitution of the United States. It has abrogated them to the Executive, either upon his request or for some other reason.

You are aware of that?

Mr. RIVINUS. Sir, I disagree with that. I believe that Congress retains its responsibility or we would not be spending so long today discussing this, if it was not the Congress to decide what to do.

Senator MALONE. Well, we are deciding whether to continue that abrogation of power, that is what we are considering, and I consider that to be one of the most important things coming up before the Congress in 50 years.

Mr. RIVINUS. And Congress, if it attempts to decide this stuff on the floor, it would look like the French House of Deputies—

Senator MALONE. Well, let me say that is not done on the floor and no one believes that, who studies it for one minute—maybe you would, by reading the commentators or the columnists, but if you sit down and think about it a minute, the 1930 act terminated all such things, and that was never done on the floor. There was a time before that when it was done in committee and there might have been some access to logrolling, but it was completely abandoned in the 1930 act by a principle laid down so that no influence could be asserted on the Tariff Commission by any Congressman or Senator. They had to walk down there and appear just like any other witness.

It would appear to me just from sitting there and listening all day to this thing, that we ought at least to get an inkling of how Congress runs its business in that regard—do you have it now?

Mr. RIVINUS. Yes, sir.

Senator MALONE. Well, why do you continually say those things? Do you tell your kids that?

Mr. RIVINUS. No, sir.

Senator MALONE. Fine.

So, the first thing in order to revert to sanity with three branches of government is to let this thing expire and the next thing is to cancel the agreements already made. Then you are back on the basis of fair and reasonable competition, so that any potential investor and any workingman can say—anyone who might invest or who has got a job can say—“This job is protected by a principle laid down by Congress,” or “This investment is protected by a principle laid down by Congress,” instead of having the policy we have now, where those investments and those workingmen cannot be heard about it because it is all up to one man.

I believe that it is not up to some one man in the Government to say, "We believe that on account of international complications, this job is not necessary," and he loses that job and—

Mr. RIVINUS. You distrust the President?

Senator MALONE. I do not distrust the President, but I distrust anybody given that authority or responsibility, one man, one center, anybody. The Constitution did not do it. The Constitution put it in the hands of Congress, and Congress should allocate that to its own agent, just like it did to the Interstate Commerce Commission in fixing the freight rates on the basis of fair and reasonable return on investment. They did not give to the President power to say that the Ohio Railroad Co. can have one freight rate and that the New York Railroad Co. will have another freight rate because it will benefit certain areas—that is not what Congress did, is it?

Mr. RIVINUS. No, sir; it is not.

Senator MALONE. And so a policy was laid down for the Tariff Commission on the basis of fair and reasonable competition, just like it was laid down to the ICC, our agent, on the basis of reasonable return on investment. That makes sense, doesn't it?

I think that is all.

Mr. RIVINUS. Thank you very much.

Senator MALONE. Thank you.

(Whereupon, at 11:40 p. m., the committee recessed until 10:10 a. m., Monday, March 21, 1955.)

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