

COUNTERVAILING DUTY ON WOOL TOP FROM URUGUAY

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BEFORE THE
COMMITTEE ON FINANCE
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COUNTERVAILING DUTY ON WOOL TOP FROM URUGUAY

TUESDAY, FEBRUARY 17, 1959

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

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson presiding.

Present: Senators Anderson (presiding), Gore, Talmadge, McCarthy, Hartke, Williams, Bennett, Cotton, and Curtis.

Also present: Senator Joseph C. O'Mahoney, Senator Theodore Francis Green, Senator John O. Pastore, Senator Thomas J. Dodd, and Senator Leverett Saltonstall.

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

Senator ANDERSON. The meeting will come to order.

Through the courtesy of Senator Byrd, we have been able to arrange this brief hearing which we recognize has had rather short notice.

I appreciate the courtesy of the chairman of the Committee on Finance in permitting it to go ahead.

I notice that the two Senators from Rhode Island are here, Senator Green and Senator Pastore. I want you both to feel free to ask questions, or if you desire to make a statement now, or submit one for the record, we will be glad to have it.

Our first witness is Mr. Flues, the Assistant Secretary of the Treasury.

Do you have a prepared statement, Mr. Flues?

Mr. FLUES. Yes, Mr. Chairman.

Senator ANDERSON. We have been trying to get this for days.

Just for the sake of the record—because I don't know how many times you have been over here—the provisions of the law that are applicable say:

Each such standing committee shall so far as practicable require all its witnesses appearing before it to file in advance a written statement of their proposed testimony and to limit their oral presentation to brief argument.

It is a little difficult to go through your testimony without having a chance to see it. We did hope that since you knew about this for quite a while we could have obtained a copy of your statement; but apparently you could not do that.

Mr. FLUES. Mr. Chairman, may I say in that regard I was out of Washington all of last week, and yesterday was my first day at the office after this hearing date was set.

Senator ANDERSON. Very well.

I do it, Mr. Flues, just as a matter of habit. We had a hard time in the Joint Committee on Atomic Energy, but we finally got to the point where we received advanced statements so we could study them. I hope the Treasury will join the parade in time.

Mr. FLUES. Mr. Chairman, we always like to cooperate with the committee, and we tried to present the statement in accordance with your rule.

Senator ANDERSON. Thank you.

Will you proceed?

STATEMENT OF HON. A. GILMORE FLUES, ASSISTANT SECRETARY OF THE TREASURY, ACCOMPANIED BY JAMES HENDRICK, ASSISTANT TO THE SECRETARY, AND JOHN P. WEITZEL, ASSISTANT GENERAL COUNSEL, TREASURY DEPARTMENT

Mr. FLUES. Mr. Chairman and gentlemen of the Senate Committee on Finance, I am appearing before the committee this morning at your request to discuss the countervailing duties on wool top imported into the United States from Uruguay. It will be my purpose to explain to you why the Treasury Department firmly believes that recent changes in the Uruguayan foreign exchange rates justify the removal of this countervailing duty.

Section 303, Tariff Act of 1930, is known as the countervailing duty law. It imposes upon the Secretary of the Treasury the duty of determining when merchandise coming into the United States from abroad is benefiting from a bounty or a grant. The law requires the Secretary in such instances to determine or estimate the amount of the bounty or grant and then to impose on such goods an additional duty—above and beyond the regular duty—in the amount of the bounty or grant—which in my statement I will refer to, for convenience, as a subsidy. For the record, the exact text of the law is as follows:

Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, and such article or merchandise is dutiable under the provision of this chapter, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed by this chapter, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated. The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of such additional duties.

The law provides for this additional duty to countervail, or to compensate for, subsidies on exports to the United States without regard to whether or not the protection is needed. There is no injury pro-

vision in the law. By the same token the Secretary of the Treasury cannot impose a countervailing duty where no subsidy exists even though imports of the commodity in question are injuring a domestic industry. As you know, there are other laws on the books which are designed to prevent such injury.

Senator ANDERSON. Do you want to finish your statement before you have questions?

Mr. FLOES. Please, if I may.

Just as the countervailing duty law does not take into account injury to domestic industry, the law does not take into account international relations aspects.

The classic example of a subsidy is a cash payment--so many cents per unit on an exported commodity. Such payments have not been made by Uruguay. Uruguay has, however, had for some years what is called a multiple-exchange system. This means that exporters of different commodities convert their foreign exchange proceeds into pesos at different rates of exchange established by the Government. Imports are also given differing exchange rates.

In 1953 wool top was coming into the United States in rapidly increasing quantities. There were clear indications of a governmental policy to promote sales of wool top. U.S. imports had risen from \$1 million in 1950 to \$22 million in 1952. Other factors were present, leading to concern as to whether the rate for wool top amounted to a subsidy.

The U.S. wool industry urged in 1953 that a subsidy existed by virtue of the fact that the rate for wool top was more favorable than the rate for raw wool. The difference between the rates was approximately 40 percent, and the industry asked for a countervailing duty in that amount.

The Treasury considered most carefully the domestic industry's arguments but came to the conclusion that the formula urged by the industry was not justifiable.

The problem the Secretary of the Treasury was faced with was that of determining whether exporters of wool top in Uruguay were receiving more for their product--in Uruguayan pesos--than appeared justified by the situation in which other elements of the Uruguayan economy were placed by the then existing multiple-exchange rates; in other words, were they receiving more than the true value of the peso in the external trade of Uruguay?

The U.S. importers of wool top, the foreign exporters and the Uruguayan Government argued that the proper benchmark would be the worth of the peso demonstrated by what it would bring on the free market at that time in 1953. The free market rate was more favorable than the wool top rate so that adoption of this approach would have resulted in a determination that no bounty or grant existed and that, consequently, there were no grounds for imposition of a countervailing duty.

The Treasury Department rejected this proposal as it had rejected the formula advanced by the domestic industry. The final conclusion reached by the Secretary of the Treasury, in carrying out his duty under the law, was that there was a subsidy, and that the appropriate benchmark for determining its amount was the weighted average of

all Uruguayan export and import exchange rates used in Uruguay's international trade. All the rates in the trade would thus be given appropriate consideration in arriving at the benchmark value; there would be no bias arising from selecting certain of the multiple rates and rejecting others from the computation. The Treasury felt at the time, and we still feel, that this is the best, fairest, and most justifiable formula to apply to this case. With this weighted average as a benchmark, under the facts of this case the bounty or grant would exist if the rate for wool top was more favorable than this average and no bounty or grant would exist if the rate for wool top were the same or less favorable than the average.

Had the domestic wool trade's formula been used—the difference between the rate for top and the rate for raw wool—the countervailing duty would have been approximately 40 percent. Had the importer's formula been used—the difference between the rate for top and the free rate—there would have been no countervailing duty. Application of the Treasury formula—the difference between the rate for top and the weighted average export-import rate—resulted in a countervailing duty of 18 percent. An order imposing the duty in this amount was accordingly published in May 1953.

At this point let me give just one example of why the formula proposed by the domestic industry is not realistic. Suppose that Uruguay stopped exportation of greasy wool so that there was no export rate for this product but wool top continued to be exported. The basis for the industry formula—namely, the differential between the greasy wool rate and the wool top rate—would have disappeared. Treasury could not operate under such a formula and I doubt that the domestic industry would wish us to do so.

Changes were made in the Uruguayan rates in 1954. A recomputation was made, under the same formula used in 1953, which showed that the duty should be reduced to 6 percent. An order was accordingly published reducing the rate to that figure.

Further changes were made in the Uruguayan rates in the latter part of 1958. A recomputation was made, still consistently using the same formula, which showed that the rate for wool top was less favorable than the weighted average export-import rate.

A chart of that recomputation has been handed to each of you.

(The chart referred to follows:)

Uruguay: U.S. dollar-peso exchange rates for wool products and all other products

Commercial rate (1)	Percent of exporters' proceeds converted at commercial rate (2)	Basic rate (pesos per dollar) (3)	Percent of exporters' proceeds converted at basic rate (4)	Resulting rate (pesos per dollar) (5)	Commodity categories (6)
I. Export rates (pesos per dollar):					
4.10.....	50	1.519	50	2.81	Wool waste and other export products.
4.10.....	75	1.519	25	3.45	Greasy wool and other export products.
4.10.....	85	1.519	15	3.72	Washed wool and other export products.
4.10.....	100			4.10	Wool top and other export products.
4.10 (plus 17 to 59 percent premiums), Average of export rates, weighted by value.				4.80-6.52	Other export products.
II. Import rates: Average of import rates, weighted by value.				4.480	
III. Combined export-import rates: Combined average equals.				4.353	

$$\frac{1(4.220+4.480)}{2}$$

Mr. FLUES. The domestic wool industry was advised of the basis for the Treasury decisions in 1953, the decision in 1954, and the decision now projected for 1959. As examples of the advice given to the trade, I have for insertion in the record two letters from former Assistant Secretary of the Treasury H. Chapman Rose to Mr. Wilkinson of the National Association of Wool Manufacturers. The first is dated October 26, 1953, and the second April 6, 1954. The second letter was also sent to others in the trade and to a number of interested Senators and Congressmen. At other times questions have arisen as to whether the duty should be taken off, and we have always advised the trade that any changes made would be consistent with our formula.

(The two letters referred to are as follows:)

OCTOBER 26, 1953.

Mr. EDWIN WILKINSON,
Executive Vice President, National Association of Wool Manufacturers,
New York, N.Y.

MY DEAR MR. WILKINSON: The Secretary has asked me to reply to your letter of September 9, 1953, commenting upon certain reports of a contemplated change in the Uruguayan exchange rate applicable to exports of wool tops to the United States and stating your belief that the countervailing duty on wool tops should be maintained so long as that rate is more favorable than the rate applicable to exports of wool to the United States.

The Treasury Department is, of course, in no position to comment on speculation about changes in the Uruguayan exchange rate system. Any material change in the exchange rate system of Uruguay as it affects exports of wool tops to the United States would, however, require the Treasury to reconsider the provisions of T.D. 53257 of May 6, 1953, imposing countervailing duties on imports of wool tops.

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In the consideration which led to the issuance of T.D. 53257 it was concluded that the Uruguayan exchange rate system contained elements of both subsidy and indirect taxation so that it could not be said that the entire difference between the lowest rate and the wool tops rate amounted to a subsidy. The countervailing duty order reflected this decision and estimated the amount of bounty present in the wool tops rate at 18 percent.

If the Department found, after review of any revision in the Uruguayan exchange rate system, that a bounty continued to be paid on exports of wool tops to the United States, the countervailing duty would remain in effect, subject to such modification as might prove necessary to reflect any change in the amount of the bounty. If, however, the revision in the Uruguayan exchange rate system should result in a lowering of the rate applicable to wool tops to such a point that the subsidy element was removed, the Treasury Department would, of necessity, conclude that no bounty was being paid within the meaning of section 303 of the tariff act.

Very truly yours,

H. CHAPMAN ROSE,
Assistant Secretary of the Treasury.

APRIL 6, 1954.

Mr. EDWIN WILKINSON,
*Executive Vice President, National Association of Wool Manufacturers,
New York, N.Y.*

DEAR MR. WILKINSON: Reference is made to your letter of March 12, 1954, addressed to the Commissioner of Customs, in which you asked to be advised regarding the determination of the 6 percent countervailing duty which is currently applicable to imports of wool tops from Uruguay. As you know, section 303 of the Tariff Act of 1930, as amended, provides in substance that when the Secretary of the Treasury determines that a bounty or grant exists with respect to any dutiable importation he "shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated." In recent years the problem of whether a bounty or grant exists has become greatly complicated for us because foreign countries have resorted to complex systems of multiple exchange rates. When two or more rates are in use we are automatically faced with the question of what rate or combination of rates is the representative one and we must, of necessity, determine that basing point before we can conclude that a foreign country is engaged in subsidizing its exports.

In the specific case of Uruguay this Department employed an averaging process to arrive at the proper basing point or representative rate. In May 1953 that rate was determined to be 1.86 pesos per dollar, based on the weighted average of export and import rates over a representative period. At that time the effective wool top export rate was 2.19 pesos per dollar and the bounty was therefore estimated to be 33 centesimos per dollar, or 18 percent in excess of the representative rate. In February 1954 the effective wool tops rate had been reduced to 1.97 pesos per dollar and the Treasury Department estimated the bounty to be 11 centesimos per dollar, or 6 percent above the benchmark in February 1954 which, when recalculated, was found to remain the same as in May 1953. Hence, the applicable countervailing duty on imports of wool tops from Uruguay was reduced from 18 percent to 6 percent effective March 1954.

Very truly yours,

H. CHAPMAN ROSE,
Assistant Secretary of the Treasury.

Mr. FLUES. The importers of wool top from Uruguay are currently challenging the Secretary of the Treasury's countervailing duty order in court. In this case, brought by the Energetic Worsted Corp., in the U.S. Customs Court and tried in May 1958, the Treasury defended the validity of its formula against the importers' allegations that no countervailing duty is justified. The court has not yet rendered an opinion in the case.

In closing, let me say that we would be less than candid if we did not admit that the task of determining whether a bounty or grant exists under the Uruguayan multiple currency exchange rate system

is a most difficult one. However, the law places the responsibility for making this determination upon the Secretary of the Treasury. In 1953, after painstaking study of the problem, the Treasury developed the formula I have been discussing. It believed that this was the proper formula and it still believes so. At that time and from time to time since over the past 6 years the Treasury Department has heard arguments from the domestic interests as to why their formula should be adopted and has heard arguments from the importing and foreign interests as to why their formula should be adopted. We have not been persuaded by these arguments and after thorough review we are not persuaded by them now. We feel that the Secretary of the Treasury in carrying out his duties under this countervailing duty law must remove this duty under the existing facts.

Senator ANDERSON. Mr. Secretary, I think the first question might be where do you get your authority for a weighted average?

From your own document here on the very first page you start to quote the law. The law begins to talk about "any bounty or grant upon the manufacturer, production or export of any article,"—not everything they produce in the country but any article.

Down below, "* * * directly from the country or production or otherwise, and whether such article * * *" is being imported, and so forth.

Where do you get the authority to throw away that provision of law and take everything they produce?

Mr. FLUES. Sir, the Secretary of the Treasury is under the obligation of coming to a determination of whether or not a bounty or grant exists.

We have tried by study, by consideration of all factors, to arrive at what we think is the fairest, most equitable means of making that determination, and the Treasury, in arriving at this formula, feels that it has accomplished that.

Senator ANDERSON. I asked you where you got your authority for the weighted average.

Mr. FLUES. Sir, we feel that the authority for including weighted averages is inherent in the power given the Secretary of the Treasury to make this determination.

Mr. ANDERSON. Just read me the language that gives you comfort.

Mr. FLUES. Sir, I didn't read the law to you.

Senator ANDERSON. Perhaps I should read it back to you. It says: "any article." It doesn't say the whole list of imports or exports of the country. We are talking about any article.

Mr. FLUES. Yes.

Senator ANDERSON. Where do you find any justification in law for disregarding the language of the law and substituting your judgment that the weighted average is better?

Mr. FLUES. Well, this law tells us that we must countervail when we find that there is a subsidy, either direct or indirect.

Senator ANDERSON. In that article?

Mr. FLUES. Yes.

Senator ANDERSON. Yes.

Mr. FLUES. Now this happens to be an indirect subsidy. In other words, there is no cash grant given to wool top by the Uruguayan Government. This is an indirect subsidy.

Senator ANDERSON. Oh, yes, your chart shows 4.10, and because 4.10 is smaller than 4.80 you say we do not have to have the duty.

Mr. FLUES. Yes.

Senator ANDERSON. But the 4.10 is still there. It is an article under the law. How do you disregard that?

Mr. FLUES. What do you compare the 4.10 to, sir?

Senator ANDERSON. I compare it to your own figures, 3.45 up here at the top of the chart. They exchange a dollar for wool top for 4.10 pesos and over here you say greasy wool and other export products, 3.45 pesos.

Where do you get anything that you find is a subsidy on these products?

Mr. FLUES. You spoke about the law, asking where we got our authority. There are no provisions in the law to calculate an indirect subsidy. We have to work out something in this way to make this calculation. We need a benchmark, in other words, and that is what we have done, is to establish a benchmark, against which this rate on wool top can be calculated.

Senator ANDERSON. Well, now, looking at wool and wool alone, and temporarily putting aside these other commodities, does Treasury concede that the difference of exchange rates between greasy wool and wool top results in a subsidy for wool top?

Mr. FLUES. Your point is that because the rate for wool top is more than the rate for greasy wool, that therefore there should be a subsidy?

Senator ANDERSON. There is a subsidy.

Mr. FLUES. No; that is not necessarily so, Mr. Chairman. That is not the only consideration that we take in, that there is a differential between two commodities.

If we did that, if we took just, for instance, those two commodities, we would have a situation where the selectivity is small, where there is no general basis. We could not possibly administer a formula with that narrow a basis. We have to have a formula which can be uniformly applied in whatever cases arise.

Now, for that reason, we have taken the average of these export-import rates as a benchmark that can be established for any multiple-rate system, and which gives to us as unbiased a view as it is possible to have in the light of the value of the foreign currency of the country involved.

Senator ANDERSON. You don't contend, then, that there is any provision in law that lets you take the weighted average, except your decision to do so?

Mr. FLUES. Well, since, as I have said, this subsidy can be direct or indirect under the multiple-exchange-rate system, and since this happens to be an indirect subsidy, and since there are no provisions in the law as to how to calculate an indirect subsidy, we have to arrive at some way of doing it, and we feel that the fairest way to do that is to establish a benchmark against which we can compare any subsidy.

Now, the law just does not go into as much detail as you have indicated.

Senator ANDERSON. I did not say it does.

The law says the Secretary of the Treasury shall do certain things with respect to that article. Have you done that?

Mr. FLUES. Yes.

Senator ANDERSON. What have you done?

Mr. FLUES. We have compared the rate for wool top against our benchmark.

Senator ANDERSON. Oh, but you do not compare it with whether there is or is not a subsidy. You arbitrarily set up something which you say is a yardstick; but the law doesn't recognize that; does it?

Mr. FLUES. We have to have some yardstick. Otherwise, we have chaos. We have nothing to administer uniformly with these multiple-rate systems.

Senator ANDERSON. You speak about a benchmark.

Mr. FLUES. We are concerned with the article, too, sir, but we must compare the rate for that particular article to something, and that is our benchmark. Then we arrive at whether or not there is a subsidy. There has been a subsidy as determined by this comparison up until now.

Senator ANDERSON. But you are not just concerned with wool. You are taking everything that comes from Uruguay in order to arrive at the benchmark.

Mr. FLUES. That's right.

Senator ANDERSON. The law does not say anything about taking into account the entire economy of Uruguay. It refers to articles.

Do you think there is a subsidy as between regular wool and wool tops, between greasy wool and wool tops?

Mr. FLUES. There might be and there might not.

Senator ANDERSON. Which do you think there is?

Mr. FLUES. We have to make a comparison.

Senator ANDERSON. You say it might be or might not be. I say do you think there is a subsidy between greasy wool and wool tops right now?

Mr. FLUES. No; I don't.

Senator ANDERSON. You do not.

Mr. FLUES. No.

Senator ANDERSON. Have you examined the difference in exchange on it?

Mr. FLUES. Yes; we have.

Senator ANDERSON. And you have concluded there is no subsidy.

Mr. FLUES. There is no subsidy.

Senator ANDERSON. Do your figures that you have submitted to us indicate that?

Mr. FLUES. That's right.

Senator ANDERSON. They do?

Mr. FLUES. What you are doing, Mr. Chairman, is to pick out two commodities, one being wool top, and what you are doing is comparing that to another commodity which is raw wool.

Senator ANDERSON. But you have picked out 50 commodities. I have tried to keep it in the same family, at least.

You have taken everything; haven't you?

Mr. FLUES. I would say this.

As I said in my statement, supposing there was no raw wool being exported to the United States.

Senator ANDERSON. But aren't you taking both import and export rates and everything you can think of, in other words, to get that weighted average?

Mr. FLUES. We are.

Senator ANDERSON. Why don't you stick to the article, as the law says?

Mr. FLUES. We do stick to the article, but only when we determine this subsidy we look at that article, the rate for it as against the benchmark. We have to have a measuring stick. The article itself, if we just looked at a rate of 4.10 for wool top, that expresses nothing to us. We have to find something against which to compare that rate.

Senator ANDERSON. In your statement, you say that the importers of wool tops are "currently challenging the Secretary of the Treasury's countervailing duty order in court," and the "court has not yet rendered an opinion in the case."

Mr. FLUES. That's right.

Senator ANDERSON. Why not wait until the court does before you make this change?

Mr. FLUES. Well, we do not know how quickly a court moves. I think it would be really a strange way to administer our duties, our act, by waiting on what a court might say or do.

Senator ANDERSON. You are changing on the basis of international relations. That is not provided for in the law.

Mr. FLUES. Sir, I must respectfully disagree. We are not making this change because of international considerations.

Senator ANDERSON. I misread your statement.

You say:

Just as the countervailing duty law does not take into account injury to domestic industry, the law does not take into account international relations aspects.

Mr. FLUES. That's right.

Senator ANDERSON. Is this or is this not influenced by international relations?

Mr. FLUES. Influenced by international relations?

Senator ANDERSON. Yes.

Mr. FLUES. We do not take that into consideration.

Senator ANDERSON. Does the State Department?

Mr. FLUES. I cannot say what they have done.

Senator ANDERSON. Did you initiate this or did the State Department ask you to?

Mr. FLUES. We initiated it.

Senator ANDERSON. Without reference to the State Department?

Mr. FLUES. Without reference to the State Department.

Senator ANDERSON. Senator Bennett.

Senator BENNETT. Mr. Chairman, it seems to me that the whole crux of this problem is the determination of the basic point, or the basic level or the benchmark which you use to determine whether or not countervailing duties should be applied; and as I have listened to the statement today and as I have listened to discussions from the other side, the whole crux of our problem is this:

The industry says the benchmark is the price of raw wool, and since this is in effect an indirect subsidy with respect to the price of raw wool, then the countervailing duties should continue to apply.

The thing that bothers me about that, Mr. Chairman, is the point that the witness has made: (a) If there were no price for raw wool, no countervailing duties could be applied; (b) if the price of raw

wool and wool tops were the same, either at the high price or the low price, no countervailing duties could be applied.

But the price of raw wool, if the rate of exchange, let's put it that way—if the rate of exchange as applied to the price of raw wool were the same as the rate applied to the wool tops, the injury, the potential injury to the domestic industry would still be the same, and the Treasury would be deprived of its right to apply countervailing duty.

I think if you asked the man on the street what the benchmark should be, he would say the free exchange, and on that basis there could be no possible justification for the application of countervailing duty, because our staffman, Mr. Benson, has just told me that the rate of exchange today, the so-called free market, is 10 pesos, so in effect, if that is the benchmark, then the wool industry, rather than being subsidized internally, is being penalized, because its rate is 4 pesos to the dollar instead of 10 to the dollar; so that is the crux of our problem and that is the crux of the dispute between the Treasury and the industry—the method of determining the benchmark.

Now, we have heard the Treasury's point of view, and, as I interpret it—and I might ask Mr. Flues to correct me if I am wrong—the Treasury has the responsibility of determining whether a subsidy exists in other articles imported from Uruguay or anywhere else.

Assuming a situation where there are many requests for countervailing duty, would the Treasury think that it would be proper to have a new benchmark for every request?

Mr. FLUES. If we had that it would be chaos. We think there has to be a uniform benchmark formula which can be applied whenever a situation arises involving the possibility of a subsidy or grant.

Senator BENNETT. It seems to me, Mr. Flues, there is one problem here which the chairman did not touch upon which concerns me.

Assuming that on raw wool the rate is 3.45 and the rate on wool top is 4.10, isn't it conceivable that internally with respect to transactions entirely within Uruguay and not affecting foreign trade, there is—no; you cannot do that because we are dealing with foreign exchange entirely; aren't we?

Mr. FLUES. Yes.

Senator BENNETT. What I was trying to come around to, there is a difference between the exchange rate that applies to these two commodities which gives an advantage to the seller of wool top as compared to the seller of raw wool in terms of an improvement in the exchange that he can get. I think there is no question about that.

Our problem, then, is does that advantage qualify as a subsidy under the law which you must recognize?

Mr. FLUES. Not necessarily, for the simple reason that, for instance, the Uruguayan Government may have the lower rate on the raw wool for purposes of taxation and, also, that differential may be explained by the cost that goes into the fabricating of the wool into wool top.

These are the types of considerations that can explain that difference; so that we have to look further than just a differential to determine whether or not there is a subsidy.

Senator BENNETT. Then, to say it another way, your point is that the existence of a difference between two commodities, related or unrelated, is not prima facie proof of the existence of a subsidy.

Mr. FLUES. That is true, sir.

Senator BENNETT. The present formula that you use to calculate the benchmark on the basis of which you propose to remove the countervailing duty, is that exactly the same formula you used in applying the countervailing duty originally?

Mr. FLUES. Yes. This is the formula that has had a history now of 6 years, and it was used when the 18 percent subsidy, the 18 percent countervailing duty, was imposed, because we found a subsidy; and it was used when that countervailing duty was reduced to 6 percent, and a recomputation made now is the same one.

Senator BENNETT. Do you have any other countervailing duties applying against Uruguay?

Mr. FLUES. No; we do not, sir.

Senator BENNETT. Have there been any such duties applied in the period that this formula was operated?

Mr. FLUES. No, sir.

Senator BENNETT. Do you use the same method, that is, do you have any other countervailing duties applying to any other countries in the world?

Mr. FLUES. Yes. Just last week we put out an order establishing a countervailing duty on Spanish almonds. That is being advertised at the present time. And after the grace period of 30 days there will be a countervailing duty on Spanish almonds.

Senator BENNETT. Did you use the same approach to the establishment of the benchmark?

Mr. FLUES. We did not, sir, for the simple reason that although Spain has a multiple rate exchange system, it did not try to assert an indirect subsidy. It put a cash payment or premium, gave that to the exporter of Spanish almonds, so there it was right out in the open.

Senator BENNETT. Do you have any countervailing duties applying now that have been brought into being as a result of what you call an indirect subsidy resulting in the use of a similar method of calculation to establish your benchmark?

Mr. FLUES. No, sir, we do not.

Senator BENNETT. This is the only case, then.

Mr. FLUES. This is the only case.

Senator BENNETT. I have no more questions at the moment, Mr. Chairman.

Senator ANDERSON. I was called out for a moment because Senator Johnson of Texas wanted me to say that he very much desired to be here and make a presentation. He is having an organization meeting of the Space Committee, and he invited me to come over there. I gave him my proxy over there to see that the meeting gets under way, and he has given me his. But I did want the record to show that he is very much interested in this hearing and would have been happy to be here.

Senator Talmadge.

Senator TALMADGE. No questions.

Senator ANDERSON. Senator Williams, do you have any questions?

Senator WILLIAMS. No.

Senator ANDERSON. Senator Cotton?

Senator COTTON. Mr. Flues, I just wanted to ask you this to straighten this out in my own mind, as a new and untutored member of the committee.

Under your formula, we import other products from Uruguay that have no relation to wool products, such as meat, minerals, or other products. The situation as regards these products would reflect itself in your formula?

Would they affect the countervailing rate on wool?

In other words, under your formula, you take into consideration all the imports of all kinds from this country in establishing your formula? Is that right?

Mr. FLUES. Yes.

Senator CORRON. So that the situation as regards some article or product entirely unrelated to wool would have its impact on the wool; is that right?

Mr. FLUES. Senator, what our formula and our computations seek to minimize is any manipulation of these rates.

Now, if rates are changed deliberately in an effort to create a subsidy for some particular commodity—we do not think that that actually can result, because our base is so broad; you take into consideration not only rates but weights—we feel that the effect would be very small, if any. And so that is again the reason why I say we have taken into consideration both exports and imports in an effort to establish as broad a base as possible, and to minimize any possible effect.

Senator CORRON. I just want to get this clear in my mind: Suppose that the Uruguayan Government did subsidize both wool products—I am not differentiating between them—but both wool products, and meat. And suppose that the Uruguayan Government suddenly removed all its subsidy, direct or indirect, on meat. Under your formula would that immediately have its effect on the wool products, and on your countervailing rate?

Mr. FLUES. Again, as I say, it would depend, of course, on what rates were established, what new rates were established and what values of imports came into this country.

And then we keep these things under constant surveillance, as you can appreciate, and if there is a new computation needed, we make it.

The one thing I would like to stress is that I doubt if the Uruguayan Government would so disarrange its whole trading system as to try to give a subsidy to this article or that.

Senator CORRON. My question is not based on any probabilities. It is purely a hypothetical question.

Mr. FLUES. Yes; I appreciate that.

Senator CORRON. But I am trying to comprehend the theory of your formula, and again I ask, supposing—understand this is purely hypothetical—supposing the Uruguayan Government had quite a high subsidy on wool products and also on meat, both of which are being exported to the United States, and suppose it suddenly removed all of its subsidy from meat, leaving wool products the same. Under your formula, would that removal, because you are taking into consideration all products, would that removal of the subsidy for meat immediately have its impact on the countervailing rate that you fix for wool?

Mr. FLUES. Well, let me say this: Any change in rates is reflected in our formula, which is designed to give this representative benchmark. Now it might result in that, in applying our formula under this new situation, it might do that.

Senator COTTON. Then the answer to that question really is "Yes."

Mr. FLUES. In other words, we keep this under constant supervision as I say, to be sure that what is being done is not creating some unfair advantage in behalf of a particular commodity.

Senator COTTON. But without even suggesting that there is anything unfair in your formula, the answer to my question is "Yes," isn't it?

Mr. FLUES. Yes; depending upon the amount of the rate and the value, the volume and value of the trade involved in that particular commodity.

Senator COTTON. Now is it your concept that the intent of the law was to have the situation as regards wool and meat both taken into consideration, or was the intent of the law—whether it is right or wrong, wise or unwise—to have each product stand on its own feet and its situation be considered?

Mr. FLUES. We would certainly consider each of the products, whether it was the thought there might be a direct or indirect subsidy. We would certainly have that product in our minds. Then we would go to our formula, our benchmark, to determine whether or not there actually was such a situation.

When you consider a product, of course, it has to stand on its own feet. It has to stand on its own feet when it is compared to our benchmark.

Senator COTTON. I do not want to take the time to pursue this, but I am not asking what the Department thinks—although I am sure you have worked out this formula most carefully, and I am not suggesting that it is not perhaps the right one and the best for the country—

Mr. FLUES. I appreciate that.

Senator COTTON (continuing). But I am asking you what, if you care to even conjecture—what did Congress think when it passed this particular act?

Was it intended that each product should be considered alone or was it the intent of Congress in this law which you have just quoted to this committee that the whole gamut of products should be considered and a formula established that took into consideration the general level?

Mr. FLUES. Actually, you know this act was passed in 1898, before there were such things as multiple exchange rates in existence. It is pretty hard to tell what the intent of Congress was at that time, but there has been this development which we are trying to contend with.

Senator COTTON. I thank you.

Senator BENNETT. Would the Senator yield?

Senator COTTON. Certainly.

Senator BENNETT. I would like to ask just one question in that area: With respect to possible subsidy of an article that was unique in Uruguayan production, it would be impossible, would it not, to determine a countervailing duty unless you had some kind of an external benchmark?

Mr. FLUES. That is true.

Senator BENNETT. In the case of wool, you have a situation where there are two forms in which the product can come into the United States; but if Uruguay made Swiss watches and you were called upon to determine whether or not those Swiss watches were coming in, or

Swiss-type watches were coming in on a subsidized basis, how could you then proceed?

Mr. FLUES. We could not proceed, obviously, unless we compared that particular product against our benchmark.

Senator ANDERSON. In Swiss cheese?

Senator BENNETT. I think that points up the problem.

Mr. FLUES. Yes; it certainly does.

Senator ANDERSON. You have these exchange rates under constant surveillance. I believe that was your term. What figures are you now using, 1957, 1958, or 1959?

Mr. FLUES. We take the rates which are known to us, the last ones that are known to us, and----

Senator ANDERSON. What are you now using on this?

Mr. FLUES. Actually----

Senator ANDERSON. You have it under constant surveillance.

Mr. FLUES. These rates which are now under consideration by us are rates which were effective in December of 1958. Actually, it is those rates which have led us to the conclusion that there now exists no countervailing duty on wool top.

Senator ANDERSON. The law does not say anything about reaching an average of all commodities in determining whether a direct or indirect subsidy is present. But for the moment taking the Treasury's average, which is 4.353 pesos per dollar, since wool tops are a somewhat different matter, what is happening to goods at a higher rate of exchange which help make that average?

Since they are above the weighted average, why not some countervailing duties on those?

Mr. FLUES. Well, sir, we are here on the subject of wool top.

Senator ANDERSON. Yes; but you also have the duty of protecting the American economy, and if you had to use one set of figures to let wool tops come in at countervailing duties, why don't you put a countervailing duty on the other commodities?

Mr. FLUES. There may or may not be a subsidy. Again we look at the consideration involving each of these products.

Senator ANDERSON. You came out with a weighted average. You must have had something to weight it the other way. What was it to weight it the other way?

Mr. FLUES. Some of these articles do not even come into the United States. Some of them are even not dutiable. Some of these are----

Senator ANDERSON. That is why you shouldn't use them. You use it to bring it up so you can bring in wool tops. What protection does that give America?

Mr. FLUES. We feel that the truest value that we can give to the peso of Uruguay is to make this benchmark on the basis of considering all the export-import traffic in commodities.

Senator McCARTHY. Mr. Chairman-----

Senator ANDERSON. Senator McCarthy.

Senator McCARTHY. In 1953, according to your testimony, the free market value of the peso was more favorable. In other words, if you had used the free market value in 1953, your countervailing duty would have been set higher; is that right?

Mr. FLUES. The point we made there, I believe, was that had we compared it to the free rate, there would have been no countervailing duty.

Mr. McCARTHY. That's right; there would have been none at all.

Mr. FLUES. That's right.

Senator McCARTHY. In other words, you did impose one; if you had used the free market value, you wouldn't have proposed any.

Mr. FLUES. There would have been no countervailing duty.

Senator McCARTHY. What is the free market value of the peso now?

Mr. FLUES. Today it is about 10 to 1.

Senator McCARTHY. So it is contrasted with what you are using here of 4.353?

Mr. FLUES. For your information, Senator, let me say that in 1953 the wool-top rate was 2.19 pesos per dollar, and at that time the free rate was 2.86 pesos; so there would have been no countervailing duty.

In February of 1954, when the countervailing duty was reduced from 18 to 6 percent, the wool-top rate was 1.97 pesos per dollar and the free rate was 3.03 pesos per dollar. Again, had we adopted the free rate there would have been no countervailing duty.

Today, that is, as of December 30, the wool top rate set was 4.10 and the free rate was 10.20; so, again, if we went by the free rate, there would be no countervailing duty.

Senator McCARTHY. Have you ever used the formula that the industry is recommending?

Mr. FLUES. No.

Senator McCARTHY. On any other country or any other commodity, the difference between the rate on semifinished product—

Mr. FLUES. No, Senator, we have not.

Senator McCARTHY. And the raw product—

Mr. FLUES. No.

Senator McCARTHY. You never did recommend it?

Mr. FLUES. No; we do not feel that that is a workable formula nor a fair formula.

Senator McCARTHY. Your argument is that the true value of the peso is better determined by taking into account not only its value in international exchange but to take into account its value in the internal economy as well as the total market.

Mr. FLUES. Right.

Senator McCARTHY. Thank you.

Senator ANDERSON. Senator Curtis.

Senator CURTIS. Thank you, Mr. Chairman. I will try to be brief. I do have a point or two I wish to bring out.

Is it possible for an exporter in Uruguay—

Mr. FLUES. Pardon me, Senator.

Senator CURTIS. Is it possible for an exporter in Uruguay to send any commodity into the United States and exchange his dollars on the free market?

Mr. FLUES. The answer to that would be generally not.

Senator CURTIS. Generally not.

What would be the exception?

Mr. FLUES. This brings us into a discussion of the so-called "aforo."

For instance, the Uruguayan Government says to an exporter, "You can sell your particular commodity to the United States," let's say, "for \$100. You must bring that \$100 back to Uruguay for conversion into Uruguayan currency."

Now the man, the exporter, may sell his commodity for \$110. All he has to do is to convert at the official rate the \$100 which the Uruguayan Government set as the price of the commodity. He then has 10 American dollars for himself.

If he sells for less than \$100, because the market price just does not come up to the \$100 value, that is his hard luck. He has to make up the difference at the official rate, and to see that the Uruguayan Government gets the full conversion of the \$100.

Now, with the \$10, if he has been successful in selling for \$110 instead of the Government's set price of \$100, he has \$10 which he could convert at another rate, at the free rate, for instance.

Senator CURTIS. What portion or percent of their exports to the United States are sold above the Government-fixed price so that he has some dollars to convert at the free rate?

Mr. FLUES. Senator, very, very small.

Senator CURTIS. That is pretty much then a theoretical difference rather than a practical one.

Mr. FLUES. That is true; yes.

Senator CURTIS. So, for all practical purposes, he must bring his dollars back and convert them at the Government-established rate.

Mr. FLUES. That is true.

Senator CURTIS. And if he shoots below that, he is penalized; if he goes over, he gets a little advantage. But for practical purposes he must convert at the Government rate.

Mr. FLUES. That is right.

Senator CURTIS. Now, if I understand this chart correctly, if he exports to this country wool waste, he brings his dollars back and the rate of exchange to the peso is 2.81; is that correct?

Mr. FLUES. That's right, sir.

Senator CURTIS. And if it is greasy wool, the rate is 3.45.

Mr. FLUES. That's right.

Senator CURTIS. If it is washed wool, it is 3.72; is that correct?

Mr. FLUES. That's right.

Senator CURTIS. But if it is wool top, he is permitted to receive 4.10.

Mr. FLUES. That's right.

Senator CURTIS. Now, would you say that the exporter of waste wool or greasy wool is penalized?

Mr. FLUES. That is something that might or might not be true. The Uruguayan Government might be doing this for purposes of a method of taxation. For instance, Uruguay has no income tax. This could be a method of taxation.

Senator CURTIS. Isn't it true, though, that this is a method by which he will get a greater amount of currency of the realm, his realm, by exporting wool top?

Mr. FLUES. That wouldn't necessarily be true. It might be a factor.

Senator CURTIS. That is what happens; isn't it?

Mr. FLUES. He does get more but, also, of course, he has had fabricating costs over and above the raw wool when he puts it out as wool top.

Senator CURTIS. Of course he sells for a lower price, too; doesn't he?

Mr. FLUES. Yes; although it is reflected in what has been done before. Now this difference, as I say, we refer back to our benchmark.

Senator CURTIS. Yes, but the fact remains they are either penalizing the exporter of wool waste and greasy wool or they are subsidizing the exporter of wool top. Now, which is it?

Mr. FLUES. It might be neither.

Many other exporters get less than wool top. Many get more. You are just picking out wool products, but there are many exporters who get more.

Senator CURTIS. The statute says "any article." The Congress never enacted this, in my opinion, as a defense against a general trade policy of a country in regard to all of their exports to the United States. They enacted this to deal with a particular industry in this country that was injured by it.

Mr. FLUES. Sir, what we are talking about today is wool top, and then we have to decide what you measure the official rate for wool top against. We don't measure it against some other commodity.

Senator CURTIS. But I think that what you have done here in this situation—here are two merchants alongside of each other. One of them finds a market for wool waste and brings his dollars home and his rate is 2.81. Another one finds a market in the United States for wool top and he brings his dollars back and they say, "We will give you 40 percent more. We will give you 4.10."

Now, either they are penalizing wool waste and greasy wool exportations or they are subsidizing wool top. Isn't that true?

Senator BENNETT. Will the Senator yield?

Senator CURTIS (continuing). They may be penalizing both of them in respect to a whole host of other shippers, or they may be subsidizing both.

Mr. FLUES. Senator, let me say again, to carry your argument to its ultimate conclusion, you drive all the wool waste, raw wool into fabrication as wool top, and then if we are going to take some kind of a formula such as the industry proposes, we no longer then have any measuring stick, nothing to measure the rate for wool top against something else, and the very thing that you are saying illustrates the fallacy of the industry formula.

Senator CURTIS. I have not looked too closely at the industry formula. I am looking at yours, and this benchmark is arrived at by averaging; isn't it?

Mr. FLUES. That's right.

Senator CURTIS. That is a rather ingenious interpretation of law.

If a citizen is arrested for exceeding the speed limit by 20 miles an hour, he cannot come in and show all the miles that he has traveled at 25 miles below the speed limit.

Mr. FLUES. Sir, it may be ingenious. A lot of thought and trouble went into the making up of this formula long before I got into the Treasury Department.

But I must also say that it is the fairest, most widely based, most uniform one that has application beyond a formula which considers just one commodity, and then we have to derive a formula for the next commodity. This formula gives us something to work with, not alone in one situation but in many situations.

Therefore, I say again: It may be ingenious, but it certainly is the fairest and the best that we think can be devised.

Senator CURTIS. Do you contend that it follows the statute even though it meets with the Treasury's self-imposed standards of fairness?

Mr. FLUES. We feel that it does comply with the statute, that this is the thing that the Secretary of the Treasury must do if he is to administer the law.

Senator CURTIS. What are the three or four principal imports from that country into ours?

Mr. FLUES. I don't seem to have those articles before me, Senator. The principal articles or commodities exported into the United States are chiefly wool products or meat products.

Senator CURTIS. Anything else?

Mr. FLUES. I think that would pretty well cover it. However, I must stress again that—

Senator CURTIS. Any coffee?

Mr. FLUES. Coffee? From Uruguay? No, sir.

Senator CURTIS. No coffee. Anything on the free list?

Mr. FLUES. Pardon me?

Senator CURTIS. Is there anything on the free list that is of major importance?

Mr. FLUES. I am informed that to our knowledge nothing on the free list, in all probability.

Senator CURTIS. Was this averaging that you have done to find your benchmark, was that concerning all imports to the United States or was it confined to those of major importance that would have an impact on their economy and on ours?

Mr. FLUES. It includes all exports and imports from Uruguay to the world and from the world in commodities.

Senator CURTIS. Regardless of the amount of the export?

Mr. FLUES. That's right. And for that reason we have this weighted procedure.

Senator CURTIS. Will you define your weighted average?

How did you weight it?

Mr. FLUES. We took the resulting rates and weighted them by the value of the trade in exports and the value of the trade in imports, and this was done according to each commodity.

Senator CURTIS. How would the value of imports relate to the question of whether or not a particular article was coming into the United States under a favorable arrangement?

Mr. FLUES. We are trying to figure out here, Senator, the true value of the peso, and we could not look at just exports in order to do that.

Senator CURTIS. The true value of the peso is the free value; and that is out so far as an exporter is concerned. That is the way I understand your testimony. For all practical purposes, that is out.

Mr. FLUES. It would certainly mean that all countervailing duties would be out.

Now, when we talk about the true value of the peso, we are talking about the true value of the peso in relation to trade, external trade.

Senator CURRIS. How would the value of the peso in regard to imports into that country have any effect on determining whether a particular article had a subsidy or favorable position in being exported to the United States?

Mr. FLUES. By taking the imports as well as the exports, we get a rate that is least susceptible to manipulation. It is a least-biased rate, and it is something that is representative of the whole of the trade structure of the particular country.

Now there are items which can be exported from Uruguay and come back into Uruguay. We want to take all these things into consideration. We feel that in that way we arrive at the true value of the peso as related to trade.

Senator CURRIS. You mentioned that wool products and meat products are the principal exports into the United States.

How do those meat products break down? What are they?

Mr. FLUES. I am sorry, sir; we do not have the details on that.

Senator CURRIS. Do you know what the rate of exchange is for a Uruguayan exporter into the United States when he brings his dollars back for having sold his meat?

Mr. FLUES. Yes.

Senator CURRIS. What is that?

Mr. FLUES. That is included, Senator, on the chart in that area: 4.80 through 6.52.

Senator CURRIS. That is meat to the United States alone?

Mr. FLUES. The resulting rate.

No; there are thousands of other things as well.

Senator CURRIS. I am confining my question to meat from Uruguay into the United States. The exporter takes his dollars back. What is the rate of exchange for that?

Mr. FLUES. Of course, that rate of exchange would be true not only of exports to the United States, but of exports to all other countries as well of that particular commodity.

Senator BENNETT. What is the rate?

Senator ANDERSON. Tell Senator Curtis what the rate is. That is what he asked you.

Mr. FLUES. I can only say it is within this range of 4.80 through 6.52. I do not have the detail within that range.

Senator ANDERSON. That is pretty hard on Senator Curtis.

He will excuse the expression, but a recent candidate for President on the Democratic Party ticket one time talked about two people. One had \$50,000 a year and the other had nothing; so they averaged \$25,000.

Now you have got an average in here; Senator Curtis wants to know the specific rate on meats. Can you furnish it now or must you supply it for the record?

Mr. FLUES. We would have to supply that for the record.

I do want to say, however, that all of them are included within this range of 4.80 through 6.52, and this chart was prepared for the convenience of this committee. We did not put every little detail in it. We didn't feel that you would want to spend the time in going into every little detail.

Senator ANDERSON. Could you get that by telephone, Senator Bennett suggests.

Mr. FLUES. Yes; we could.

Senator ANDERSON. After all, we are dealing with wool.

Mr. FLUES. Yes.

Senator ANDERSON. Meat isn't too far removed from wool. It isn't completely extraneous.

Mr. FLUES. As I say, we came to talk about wool top and we are getting into the meat problem.

Senator ANDERSON. Get that figure on the meat.

Mr. FLUES. We will get that, Mr. Chairman, for the Senator.

Senator CURTIS. What was the rate of exchange on wool tops before it was changed to 4.10?

Mr. FLUES. In May of 1953, it was 2.19 pesos per U.S. dollar. In February of 1954 it was 1.97 pesos per U.S. dollar. And December 30, it was 4.10 pesos per dollar, December 30, 1958.

Senator CURTIS. Now during those years, has the rate of exchange on all other exports from that country to ours gone up also?

Mr. FLUES. I cannot give you the details on that, Senator, but I think possibly you are aware that Uruguay has had a consideration inflation.

For instance, their free rate moved from 2.86 in May of 1953 to 3.03 in February of 1954, and has now gone up to 10.20 at the end of 1958.

Senator CURTIS. Did you ever consider imposing a countervailing duty in the past on canned corned beef?

Mr. FLUES. Have we?

Senator CURTIS. Did you ever consider imposing a countervailing duty in the past on the import of canned corned beef?

Mr. FLUES. The question has not been raised, Senator.

Senator CURTIS. But it did have a higher exchange rate over other commodities in the past; didn't it?

Mr. FLUES. Senator, those are the details we are trying to get for you. That would be included in this range I have spoken about on our chart, and we are trying to get them for you right now, if possible.

Senator CURTIS. According to your own formula, if the exchange rate on canned corned beef exceeded this benchmark, this weighted average at any time in the past, it would have been your duty to impose a countervailing duty; wouldn't it?

Mr. FLUES. Not necessarily, because the question would be, is there a subsidy?

Senator CURTIS. Is it your contention that a more favorable exchange rate is not a subsidy?

Mr. FLUES. Not necessarily a subsidy.

Senator CURTIS. All right, then, in what situations is it a subsidy and in what situations is it not?

Mr. FLUES. Well, here are some factors we would look at as we looked at them in connection with wool top.

In 1953, we found that wool top was coming into the country in rapidly increasing quantities; so the volume of the imports would be something we would look at.

We would look at the decrees and the regulations of the Uruguayan Government to find out if there is anything we could get out of them which would indicate the purpose for the particular rate. Now, if there were indications of a Government policy to promote sales, that is something we would take into consideration. We would look at the

history of the particular rate, whether it was something that had been in effect for a long time or whether it was just a new rate. We would look at the background surrounding each particular commodity and its rate. These are things which we look at.

Senator CURTIS. You look at the background as to each particular commodity? You specialize as to a particular article in that case. But in applying the question of whether or not the exchange rate is a favorable one that constitutes a subsidy, you take in the whole realm of world trade, imports and exports to all countries; is that correct?

Mr. FLUES. We use the benchmark as the measuring stick.

Now, if there is a less favorable rate, then we can assume there is no subsidy. If there is a favorable rate over and above that benchmark, which would make it appear that there could be an advantage being given to the export of the particular commodity, then we would look further to determine whether in fact there was a subsidy. The things that I have mentioned, we would take into consideration at that point.

Senator CURTIS. What edicts or regulations or announced policies of that Government can you point to that indicate the reason for the exchange rate on wool being established at 2.81?

Mr. FLUES. You mean the Uruguayan Government?

Senator CURTIS. Yes.

Mr. FLUES. There are the decrees here. We have the last two decrees. The rest of them are in Spanish. We didn't have time to get them translated but it is that type of document that we look at.

Senator CURTIS. What do those decrees say?

Mr. FLUES. They just give the specific rates of exchange for commodities, for particular commodities.

Senator CURTIS. Then you have no evidence that the lower exchange rate on wool waste and greasy wool was for some purpose such as raising revenue.

Mr. FLUES. These decrees and these regulations are checked by Government representatives in Uruguay and they make a search of the circumstances and advise us. That is the way we determine whether these considerations should be things that weigh against a subsidy or not.

Senator CURTIS. Who are the principal foreign buyers, what countries are the principal foreign buyers of greasy wools in Uruguay?

Mr. FLUES. I am sorry; we do not have that information, Senator.

Senator CURTIS. Did you have the information as to what countries are the principal buyers of wool wastes in Uruguay?

Mr. FLUES. I do not have that information.

Senator CURTIS. What country is the principal buyer of wool tops from Uruguay?

Mr. FLUES. We will try to get that information for you.

(The following was later supplied for the record:)

URUGUAYAN EXPORTS OF WOOL

The latest official figures we have are for the first half of calendar year 1958. They show the largest purchasers from Uruguay to be as follows: greasy wool, Russia; wool top, Holland; wool waste, United States.

Figures for calendar year 1957 show the largest purchasers from Uruguay to be as follows: greasy wool, Holland; wool top, Holland; wool waste, United States.

Mr. FLUES. The exchange rates for the principal meat products are as follows:

Frozen beef, 5.25 pesos per dollar; frozen lamb, 5.99 pesos per dollar; canned beef, 6.52 pesos per U.S. dollar.

Senator ANDERSON. May I just ask there—those are all above the average, so you have countervailing duties on all those, do you not?

Mr. FLUES. First of all, frozen beef and frozen lamb are not exported into the United States.

Senator CURTIS. They are not exported into the United States?

Mr. FLUES. No; frozen beef and frozen lamb are not exported into the United States.

Senator BENNETT. This is frozen, not canned?

Mr. FLUES. I am not speaking of canned beef. I am speaking of frozen as opposed to canned.

Senator CURTIS. Where do they export the frozen?

Mr. FLUES. Where do they export their frozen lamb and frozen beef? That I don't know, but I think because of the possibility of hoof-and-mouth disease we do not let it come into this country.

Senator BENNETT. Do you have any figures on any meat products that do come into the United States?

Mr. FLUES. Canned beef.

Senator BENNETT. What is the rate on that?

Mr. FLUES. 6.52. I gave that, Senator.

Senator CURTIS. That is above your weighted average.

Mr. FLUES. That is true. I understand that frozen beef and frozen lamb are exported in substantial quantities to Great Britain.

Senator ANDERSON. Do you have a countervailing duty on this corned beef?

Mr. FLUES. Canned beef?

Senator ANDERSON. Yes.

Mr. FLUES. We do not.

Senator ANDERSON. Why not? It is above the average.

Mr. FLUES. The question has not been raised on that.

Senator ANDERSON. It is raised now. What is your policy on that?

Mr. FLUES. Sir, that would have to be looked into.

Senator ANDERSON. What?

Mr. FLUES. That would have to be looked into.

Senator BENNETT. Mr. Chairman, I wonder if countervailing duties do not come into being at the request of an industry that considers itself injured. So long as there is no request for countervailing duty, I doubt that the machinery is set in operation to impose it.

Senator ANDERSON. I thought the law was plain.

Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article—

and so forth, "such article * * * is dutiable," and in all such cases they shall have a countervailing duty.

You know about it now; what are you going to do about it?

Senator CURTIS. I think if you need a request, as a Senator who represents in part the greatest meatpacking center in the world, I probably could get a request for you, if that is all you need.

Now the fact remains, the two items that are of the greatest financial concern to the economy of Uruguay so far as exports are concerned were wool and meat products.

Mr. FLUES. I believe so; yes.

Senator CURRIS. And the policy of that country is to grant a more favorable exchange rate to both of them; is that right?

Mr. FLUES. One happens to be above and one now happens to be below our benchmark. The canned meat or the meat products are above and the wool top is below, as are all the others-----

Senator CURRIS. The committee has been most generous in their time to me, and I will not repeat every question already raised, but I would like to inquire once more: Is it the position of the Treasury that Uruguayan exporters of wool waste and greasy wool to the United States are penalized or not?

Mr. FLUES. They are penalized. You can say they are taxed more. The raw wool exporter is taxed more.

Senator CURRIS. But it wouldn't take a very smart citizen of that country to ascertain that if he exports wool top to the United States, by better sales methods or otherwise, he will get more pesos for his dollars when he brings them back home.

Mr. FLUES. Of course, by the same token, you might say that he would feel he should get out of the growing of wool and start manufacturing Swiss watches, as Senator Bennett has said.

Senator CURRIS. Of course he will run into the world's most powerful cartel there and they will put him out business. In a little while they will export them and sell them in the department stores there for \$5 apiece as they have here for a long time.

We have had a long history of the closing of jeweled watch factories in this country, the last casualty of which was the Elgin jeweled watch factory of Lincoln, Nebr.

That is all, Mr. Chairman.

Senator ANDERSON. Senator Bennett had a comment.

Senator BENNETT. This law which set up the system of countervailing duties, the law to which we have been referring to today, was passed in 1930, and, as I understood your testimony earlier, there were similar requirements as far back as 1806.

Mr. FLUES. 1898, sir.

Senator BENNETT. Is the policy of using an average or some kind of a calculated benchmark rather than comparison between two specific commodities; is that a policy that has been standard practice by the Treasury over many years?

Has there ever been a time that you know of when the Treasury prior to 1953—because we know what your policy has been since then—used a comparison between specific commodities? In other words, is this a standard practice, a standard basis of comparison, or is this a new approach?

Mr. FLUES. This is a standard basis of comparison.

Senator ANDERSON. It has been for how long?

Mr. FLUES. I might point this out: As I think I mentioned previously, multiple exchange rate systems are fairly recent. They are a fairly new development.

Senator BENNETT. In terms of how many years? When did they start to present a problem?

Mr. FLUES. There were some right about the time of the war.

Senator BENNETT. There must have been some in existence in 1930 or there would have been no reason to write a section into the law.

Mr. FLUES. Of the indirect as well as the direct. Of course, there are other types of indirect subsidy than those which might arise from a multiple exchange rate, but I am just trying to give you what I know of that. I think these multiple exchange systems were somewhat contemporaneous with the Second World War.

Senator BENNETT. And do you know were there any problems arising before 1953, and were they faced on the basis of this kind of an averaging approach?

Mr. FLUES. I could only say of my own knowledge that 1953 was when this problem was faced by the Treasury and the formula worked out.

Senator BENNETT. Can your staff identify any earlier manifestations of this same problem?

Mr. FLUES. They tell me that there were no similar cases prior to that time.

Senator BENNETT. Thank you.

Senator ANDERSON. Do you wish to put those letters into the record?

Senator BENNETT. Mr. Chairman, on February 12, I addressed identical letters to the Secretary of Commerce and the Secretary of State asking for four particular communications between the Embassy at Montevideo and the U.S. Government which I felt would provide the information to the committee. Since then--the letter, unfortunately, is not dated--I received a reply from William B. Macomber, Jr., an Assistant Secretary of State, denying me access to the four communications and making a statement to the effect that these communications were not the only or necessarily the vital basis of the determination of this benchmark.

Those are not his words but for the record I would like to put both my original letters and Mr. Macomber's reply into the record.

Senator ANDERSON. Without objection, they will go into the record. (The letters referred to are as follow:)

U.S. SENATE,
COMMITTEE ON FINANCE,
February 12, 1959.

HON. LEWIS I. STRAUSS,
Secretary of Commerce, Department of Commerce, Washington, D.C.

DEAR MR. STRAUSS: On Tuesday, February 17, the Senate Finance Committee, of which I am a member, will consider a proposal which has been made by the Treasury Department to rescind the countervailing duty on Uruguayan wool.

The wool industry is most important in my State, and I am anxious, therefore, to be fully informed on the Treasury proposal prior to the February 17 meeting so that I can participate intelligently in the hearings. It is my understanding that you have several communications from the American Embassy at Montevideo which would be helpful:

- (1) Dispatch No. 49 of June 21, 1958.
- (2) Airgram G-27 of January 5, 1959.
- (3) Airgram 301 of January 14, 1959.
- (4) Dispatch 337 of February 6, 1959.

I am sending this letter by special riding page so that I may receive the foregoing material at the earliest possible time, preferably this week. Thank you for your assistance.

Sincerely,

WALLACE F. BENNETT.

DEPARTMENT OF STATE.

Hon. WALLACE F. BENNETT,
U.S. Senate.

DEAR SENATOR BENNETT: I have received your letter of February 12, 1959, in which you requested copies of four communications from the American Embassy in Montevideo, Uruguay, dealing with the countervailing duty on imports of Uruguyan wool tops.

Upon examining these communications, I find that they are of such a nature that I am not able to furnish them to you. However, I may summarize their contents for you by saying that they state that the exchange rate situation which led to the imposition by the United States of the countervailing duty on Uruguyan wool tops has changed, urge that the United States keep its word that the same criteria would be used in considering removal of the countervailing duty as were used in putting on the duty, and set forth the political advantages to the United States of acting in good faith on this matter.

I understand that the Treasury Department did not rely on the data included in these communications but has made its own investigation of the statistical basis of the exchange rate subsidy against which the countervailing duty was levied and maintained.

If I can be of further assistance to you, please feel free to call on me.

Sincerely,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary.

Senator ANDERSON. Are you familiar with these four documents?

Mr. FLUES. I do not believe so.

Senator ANDERSON. A dispatch of June 21, 1958, and January 1959, January 14, 1959, and February 6, 1959.

I have been advised those all relate to the message from Uruguay saying, "Get rid of these countervailing duties," to the State Department.

Mr. FLUES. I am not aware of those.

Senator ANDERSON. The Treasury never saw them at all?

Mr. FLUES. No, sir; I say I did not see them.

Senator ANDERSON. You stated a moment ago that the current rates were December 1958 rates.

Are they compared to the 1957 export and import statistics?

Mr. FLUES. That is right. We have taken the last available annual period.

Senator ANDERSON. Senator Hartke.

Senator HARTKE. I understood you to say awhile ago this business of the multiple exchange rate systems are relatively new; is that right?

Mr. FLUES. Yes.

Senator HARTKE. About how many countries are involved in multiple exchange rate systems and also in which there are countervailing duties?

Mr. FLUES. There are some 14 nations that have multiple rate systems.

Senator HARTKE. They are involved in this same formula?

Mr. FLUES. No.

Senator HARTKE. How many countries are involved in both?

Mr. FLUES. Uruguay is the only one involved at this particular time.

Senator HARTKE. In other words, the only country which is involved in this computation is Uruguay?

Mr. FLUES. That's right.

Senator HARTKE. Do they establish this exchange rate arbitrarily?

Mr. FLUES. It is a fixed rate by the Uruguayan Government.

Senator HARTKE. And so if they saw fit to enter into any particular export field, they could manipulate the exchange rate to keep you people pretty busy.

Mr. FLUES. Yes; if they change their rates we are certainly going to be a little busier than we were.

Senator HARTKE. And if they are in concert with some other country which is not interested in the welfare of the United States, they could practically wreck any domestic industry we had in the United States.

Mr. FLUES. Well, sir, I would then remind you of the fact that the countervailing duty law is only one of the laws that we have to protect American industry.

Senator HARTKE. Are any of those involved with the wool industry?

Mr. FLUES. I cannot say.

Senator HARTKE. As I understand Senator Cotton's question a while ago, I did not quite get the answer to this, and I hope that it is not repetitious.

You say that this goes only to each product.

Mr. FLUES. Pardon me, Senator.

Senator HARTKE. At no time is each product considered alone in regard to your overall determination of this formula?

Mr. FLUES. Every product is considered alone, but then its rate is considered in relation to our benchmark.

Senator HARTKE. But, as I understand the law—I read through it all—it says that “an additional duty equal to the net amount of such bounty or grant,” and it refers in such cases to any article, and not to the general overall. It does not mention anything about overall items. It says “any article,” and then goes back, “* * * an additional duty equal to the net amount of such bounty * * *” which to me would give every clear implication that they were referring to individual items rather than to an overall group.

Mr. FLUES. Yes; and we take up each individual items that is affected, but we have to have something against which to measure the fixed rate put for that commodity.

Senator HARTKE. But the policy of the Treasury, then, is an element to determine the fixed rate with all the fairness weighted toward the foreign country, without any relationship to our domestic economy.

Mr. FLUES. Sir, the Treasury always views with concern the effect on the domestic economy. We are not insensible to the effects which a Treasury decision has on American industry.

Of course, we could not be. We, too, are Americans. But I must point out that within the law there is no provision that the Treasury should consider the economic problems involved.

Senator HARTKE. Let me come back, then, to something.

Just a few seconds ago, you said that there are other items in the law which are given consideration for protection of the domestic economy other than this particular law. In an answer a few moments ago when I said that Uruguay or any other foreign country acting in concert in an attempt to destroy some domestic economy, that they could under this particular setup that you are using, could, in effect, destroy our economy or make it practically nonexistent. Isn't that what you said?

Mr. FLUES. I said that there are other means of protecting the domestic economy than the countervailing duty law.

Senator HARTKE. I understood you to say that they were used in conjunction with the countervailing law.

Mr. FLUES. No; not used in conjunction with it.

For instance, one would be escape-clause procedures.

Senator HARTKE. Can I ask you just for the record, is there any relation to the present interpretation, the present attitude of the Treasury Department as compared to the policy adopted by the State Department?

Mr. FLUES. No, sir. We do not have any measuring stick according to State Department sentiments.

Senator ANDERSON. Senator O'Mahoney.

Senator O'MAHONEY. Mr. Chairman, I appreciate very much your permitting a nonmember of the committee to ask a question or two.

I note, Mr. Chairman, that the witness, in responding to Senator Cotton a few moments ago, when reference was made to the law imposing countervailing duty, the witness said it was difficult to determine the intent of Congress either in 1898, when the original act was passed, or in 1930, when the present law was passed.

The question here, it seems to me, is to determine what the intent of the Treasury Department is in fixing the formula.

So, I ask you, Mr. Secretary, does the formula adopted by the Treasury Department amend the law?

Mr. FLUES. In our consideration, no.

Senator O'MAHONEY. You testified a few moments ago that the multiple rates first came into appearance about 1953.

Mr. FLUES. No; after World War II. I would say they were somewhat contemporaneous with the Second World War.

Senator O'MAHONEY. When was the formula devised?

Mr. FLUES. In 1953.

Senator O'MAHONEY. In 1953.

Mr. FLUES. That's right.

Senator O'MAHONEY. Did you ask Congress for a law at that time to fix a formula?

Mr. FLUES. We didn't feel that we had to. We felt that this is a workable law.

Senator O'MAHONEY. Yes; I think many of us up here have thought it was a workable law.

Is there any law authorizing you to fix a benchmark or telling you how to fix a benchmark?

Mr. FLUES. The law does not spell out that detail, Senator.

Senator O'MAHONEY. Does the law refer to single articles?

Mr. FLUES. Yes; it does refer to single articles.

Senator O'MAHONEY. Does it refer to any average rates?

Mr. FLUES. No; it does not. Again, that is a detail which is not spelled out.

Senator O'MAHONEY. Let us read the law, in the light of your testimony that it refers to articles. You have this law set forth in your statement.

Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly—

let me emphasize those two words: "directly or indirectly"—

any bounty—

let me emphasize the word "any"—

any bounty or grant—

and of course "any" must be interpolated before "grant"—

upon the manufacture or production or export of any article—

and again I emphasize the word "any"—

or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, and such article—

I emphasize "such article"—

or merchandise is dutiable under the provision of this chapter, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid—

I emphasize those words, "in all such cases"—I repeat—

there shall be levied and paid in all such cases in addition to the duties otherwise imposed by this chapter, an additional duty equal to the net amount of such bounty or grant, however the same shall be paid or bestowed. The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated. The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of such additional duties.

Do you really have any difficulty in interpreting what Congress meant by that language?

Mr. FLUES. No.

Senator O'MAHONEY. You do not?

Mr. FLUES. We think it is reasonably clear.

Senator O'MAHONEY. I didn't get your answer.

Mr. FLUES. Yes. I say we think that is clear.

Senator O'MAHONEY. That is perfectly clear.

And when this condition occurs, it is the duty of the Treasury to impose a countervailing duty; is it not?

Mr. FLUES. When we find that there is a bounty or a grant, yes.

Senator O'MAHONEY. When you find there is a bounty or a grant.

Have you ever made any regulations to determine the manner in which you find a bounty or a grant?

Mr. FLUES. Sir, the Secretary of the Treasury in this act has the duty of from time to time ascertaining and determining or estimating—

the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated.

Senator O'MAHONEY. True.

Mr. FLUES. Now, how does he do it?

We have to have some way of doing it, some means of making that determination and estimate. We have felt, as I have expressed earlier, that we made up this formula as the fairest and best means of making this determination or estimate.

Senator O'MAHONEY. Now, in 1953, the Treasury Department decided that there was a bounty within the meaning of the law.

Mr. FLUES. Yes, according to this formula.

Senator O'MAHONEY. And imposed a countervailing duty.

Mr. FLUES. According to this formula.

Senator O'MAHONEY. According to the formula.

Mr. FLUES. Yes.

Senator O'MAHONEY. Have you clearly defined the formula to the Congress?

Mr. FLUES. Sir, I may say that Congress, the wool industry of the United States, the importers of wool into the United States, all have known about this formula for 6 years. This is nothing new in the way of a formula. We are not coming into this committee this morning to defend a formula which has sprung out of our heads within the past week or so. This formula has a 6-year history behind it, sir.

Senator O'MAHONEY. Have you submitted it to this hearing?

Mr. FLUES. The formula?

Senator O'MAHONEY. Yes.

Mr. FLUES. Yes, there is a chart before you, sir.

Senator O'MAHONEY. That is a chart. It is not a formula.

Mr. FLUES. Well, it indicates how the formula operates.

Senator O'MAHONEY. I grant you that, but does it give the Congress the formula?

Mr. FLUES. You mean does it spell out in so many words?

Senator O'MAHONEY. Precisely.

Mr. FLUES. How the formula operates?

Senator O'MAHONEY. That is what I want to know.

Mr. FLUES. It is right in our statement, sir.

Senator O'MAHONEY. Point it out to me. I wasn't here when you read your statement.

Mr. FLUES. Page 3, the second paragraph.

Senator O'MAHONEY (reading):

The Treasury Department rejected this proposal—

that was a proposal made by—

Mr. FLUES. By the importers.

Senator O'MAHONEY (continuing):

as it had rejected the formula advanced by the domestic industry. The final conclusion reached by the Secretary of the Treasury, in carrying out his duty under the law, was that there was a subsidy, and that the appropriate benchmark for determining its amount, was the weighted average of all Uruguayan export and import exchange rates used in Uruguay's international trade.

Now, this is your reference to the weighted averages, which has been the subject of examination by many of the Senators?

I must confess, Secretary Flues, that I find nothing in the law which justifies the adoption of a weighted average including all commodities, both imported and exported, when the law refers specifically to separate articles.

Suppose we were to read this law which you have in your statement in terms of the present hearing. I shall not read it all, but I shall ask unanimous consent that the words "wool tops" shall be inserted wherever the words "any article" appear.

Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of wool tops or merchandise manufactured or produced in such country—

and so forth and so on, substituting "wool tops" wherever "any article" or "such article" appears, then I should like to ask you if you believe that the language at the close of this statute making it the duty of the Secretary of the Treasury from time to time to "ascertain and determine or estimate the net amount of each such bounty or grant" authorizes him to adopt the weighted average provision of your formula.

Mr. FLUES. Well, sir, I say again that this duty being laid upon the Secretary of the Treasury to ascertain and determine or estimate the net amount of that bounty or grant, that being so, he has to find some means of making the determination or estimate.

The means by which he does so in relation to the particular commodity, wool tops, is to consider that commodity in relation to the formula. The rate as opposed to the benchmark, the measuring stick.

Senator O'MAHONEY. Were you aware, Mr. Secretary, that after it was announced that the Treasury Department was about to rescind the countervailing duty, there were immediate offers of greater quantities of wool tops from Uruguay underselling the domestic market?

Mr. FLUES. This was back in 1953, you mean?

Senator O'MAHONEY. No.

Mr. FLUES. When?

Senator O'MAHONEY. In January and February of this year, when it became known that the Treasury Department was about to abolish the countervailing duty on the 6th of February, is it not a fact that there immediately were offers of great quantities of Uruguayan wool tops for sale in the United States below the market price of American wool tops?

Mr. FLUES. I do not know of that fact. I am not in the wool industry, Senator. I cannot say.

Senator O'MAHONEY. Oh, but you are in the Treasury.

Mr. FLUES. I am in the Treasury.

Senator O'MAHONEY. And you administer the countervailing duty law.

Mr. FLUES. I would also have to say, Senator, that within the countervailing duty law there is no provision for injury, for a determination of injury to the domestic industry.

Senator O'MAHONEY. What is the purpose of this law?

Mr. FLUES. And we cannot take it into consideration, therefore, any more than we could take into consideration the foreign relations aspect.

Senator O'MAHONEY. Mr. Secretary, what meaning do you attribute to these words:

When a bounty is being paid—

* * * there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed by this chapter, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed.

Does not that clearly mean that where the bounty makes it possible for any country to export into the United States below the market price of the domestic article where a duty is imposed in this law, an additional duty should not then immediately be proposed?

And is that not for the protection of that industry against the danger of damage?

Mr. FLUES. Sir, I would answer that "No." There could be many reasons why the product is being exported below our market price

Senator O'MAHONEY. Mr. Chairman, if "No" is the answer to that question, I surrender.

Senator ANDERSON. Senator Saltonstall, you have been very active in this field.

Senator SALTONSTALL. From a New England point of view, Mr. Chairman, I might just say this:

I worked on this formula in 1952 and 1953 with the Secretary of the Treasury at that time. I did so because of the interest of our people in Massachusetts on the importation of wool tops.

As I understood it then, that was the first time this formula was put into effect by the Treasury Department. It was put into effect because Uruguay was discriminating in favor of their wool top combers through the exchange value of their currency. The formula was effective at that time.

Now, the situation has changed, and if this present ruling goes through, it will affect the jobs of 2,000 of our Massachusetts people, and I am told it will make it difficult for the industry to survive and to keep going.

Now, all I ask as a Massachusetts Senator of this committee—and I do appreciate the opportunity of being here and having the hearing held—is to look into the situation very carefully, so as to help the Secretary of the Treasury in making his final ruling.

We want to be fair. We want him to be fair to those of us who are importers, but at the same time to recognize what the law is. He should determine what he should do on the basis of law and then make his decision.

I only hope that the committee, after this hearing, will give him a record so that he will make sure that knowing the law he gives due consideration to the people who have asked for this hearing. These are people who are in the wool-top business in Massachusetts and who grow wool in our country.

I do appreciate the opportunity to be here today and I thank the chairman.

(Senator Saltonstall subsequently submitted the following for the record:)

STATEMENT SUBMITTED FOR INCLUSION IN THE RECORD BY SENATOR LEVERETT
SALTONSTALL

I deeply appreciate the courtesy extended to me by the Committee on Finance in permitting me, a nonmember, to insert in your record these few remarks on the subject of the countervailing tariff on Uruguayan wool tops. The Committee on Finance has shown great consideration for the problems of the wool industry in holding this hearing (where the subject has been put into its proper perspective as a matter of serious import to the United States).

To put the problem more precisely in perspective, I would like to state that in Massachusetts, where the wool trade has always provided an important segment of our commerce, there are now three major and numerous minor establishments which are primarily concerned with the combing or scouring of wool. The major establishments alone employ between 1,700 and 2,000 people. In one case it is the sole industry of a town, and the other two cases are located in an area already suffering from critical labor surplus.

The wool trade was asked in World War II and the Korean crisis to expand its production sharply. The armed services' need for wool products will continue, for wool has properties as yet unduplicated by synthetics. While this need exists, the administration should consider carefully any move which might endanger this so vital industry.

The Treasury Department has stated in your hearing that the duty on Uruguayan wool, established to offset the indirect subsidy granted Uruguayan exporters of wool tops, is measured by a formula which set up in 1953. The countervailing duty was set up in 1953 partly at my suggestion, but the formula was then and is now less sensitive to the requirements put upon the wool industry by Uruguay than the industry had hoped in 1953.

The calculation of the formula has not been publicized by the Treasury nor have its computations been made available to the industry. The Treasury has stated that it reviews the formula regularly, but in the brief submitted by the wool industry at this hearing, I find that Uruguay has changed its peso exchange rates on wool products many more times than the Treasury has changed its countervailing duty. Furthermore, the Treasury has stated that in order to establish its weighted average peso exchange rate, it measures the volume of commodities shipped from Uruguay. These volumes have changed over the years since 1953 and would therefore have changed the average rate, but the Treasury has seen fit to recognize this upon only two occasions—in 1954 and the present time.

The Treasury has also seen fit to include in its formula outright bonuses paid to the exporters of frozen meat, canned meat, and particularly wool textiles. These bonuses are granted Uruguayan exporters in order to keep them in business. I question the Treasury's inclusion of these bonuses in its countervailing duty formula as well as the high rates on luxury imports.

Uruguay is a friendly nation and I believe that the citizens of this country should be concerned with the economic health of Uruguay. But I believe further that this concern should not be at the expense of the wool industry alone, which must now bear, if this change in the duty goes through, the major burden of our foreign policy toward Uruguay.

Mr. Chairman, I submit that in the interests of the wool industry, of the citizens of Massachusetts, and of the citizens of the Nation that the Committee on Finance has made a great contribution in investigating with the industry and the Treasury the countervailing duty. As a result of the hearing I hope the Treasury will consider modification or withdrawal of its order to abolish the countervailing duty to insure compliance with the law.

Senator ANDERSON. Thank you, Senator Saltonstall.

Senator PASTORE, you have been here all through this hearing. You didn't want to make a statement earlier but do you have any statement now that you would care to make?

Senator PASTORE. If the chairman doesn't mind, I would like to ask questions as well.

Senator ANDERSON. Surely.

Senator PASTORE. Let me say this: The thing that is perplexing to me at the moment is the adamant position that the Department of the Treasury seems to be taking at this time, and I would hope that they would subscribe to the suggestion that was made by Mr. Saltonstall, that is, one of review.

I think it is quite clear in everyone's mind, as has been brought out here this morning, that the law is definite that this means any specific product.

The Treasury Department has invoked this formula of a weighted average or this benchmark. Let me ask the Secretary this question:

In view of the questions that have been raised here this morning, the interpretation of the law as written, and the feeling of the members of the committee, which feeling seems to be unanimous, that this applies to any one product and not a general category of products, what is the position of the Department as of this moment? Are you still adamant that this is a good formula and you are going to continue to invoke it and you are going to keep it in practice?

Mr. FLUES. Mr. Senator, we do feel this is a good formula. We think it is the fairest formula that can be worked out, and we only

point to the fact that it has had a history of 6 years, as indicative of that fact.

This is a formula that Congress has known about, the industry has known about, the importers have known about, the Uruguayan Government has known about. This, again I say, is nothing new.

Senator PASTORE. That's right.

Now, I can follow you very, very closely, but isn't it a surprise to you, Mr. Flues, that here you have a number of articles, five or six, and as the refinement of the article increases, as the export of that refined article to the United States of America means more jobs in that foreign country for example, to take the raw wool and to wash it, which means people to wash it, and then to purify it or refine it further, and finally get to the wool top, isn't it rather surprising to you that as you further refine this article in a foreign country, that the rate of the exchange becomes greater and greater, so that more and more American jobs will be eliminated?

Isn't that quite apparent to you: that your formula is helping a foreign country to work a subterfuge—in other words, to destroy American jobs?

Now, why should the rate of exchange vary with the category of the product, an act that is voluntary and exclusively within the power of a foreign government?

Is that true or isn't it true?

Mr. FLUES. Senator, this formula up until now has produced a countervailing duty and it has been one means of protecting the American industry. Now, applying the same formula, the protection is gone, because we no longer find the subsidy.

Senator, I must remind you again this is not the only means that an American industry has to protect itself against foreign imports.

Senator PASTORE. It is the only means that American industry has to protect itself against foreign imports insofar as subsidies are concerned. You cannot invoke the tariff laws. You cannot invoke any other law that will cure your subsidy situation, because you have an entirely different situation when you apply the tariff laws.

Now, the purpose of the Congress in passing this law was to countervail a subsidy being paid by a foreign government that desired to export more of one article as against another.

The argument has been used here this morning that this is a penalty against some. It isn't that at all. This is a premium for some.

As a matter of fact, the more you refine this product, and you get up to the wool top, the higher the rate of exchange. That rate of exchange is within the exclusive jurisdiction of the Uruguayan Government, over which we have no control.

So, by their process of manipulation, they can change the effect of your formula any Monday morning.

Am I right or wrong?

Mr. FLUES. No.

Senator PASTORE. Why not?

Mr. FLUES. Let me say this: I am going back to the first part of your statement. You speak about the countervailing duty being the only thing that deals with subsidy.

That may be true, but here we no longer have a subsidy.

Senator ANDERSON. What?

Mr. FLUES. We no longer have a subsidy as relates to wool top underneath the application of our formula.

Senator PASTORE. That's right, you have always got to put that in, "under the application of our formula," and that is what I am finding fault with.

I am finding fault with your formula. The formula is the crux of the trouble here.

As you look at your sheet here, Mr. Flues, you find that the rate of exchange is 2.81, on wool waste and other export products. There is practically no manpower involved at all in that; so, naturally, it doesn't mean too many Uruguayan jobs; so the rate of exchange in Uruguay is pretty small.

Then you get to greasy wool, which is a refinement over the first category, and there it goes up to 3.45. It means a few more Uruguayans have to work on that product, so there is an incentive there to raise the exchange from 2.81 to 3.45.

Then you get the washed wool, and it requires a few more people to take this greasy wool and wash it; so that means a few more Uruguayan jobs.

So it is of interest to Uruguay to raise that from 3.45 to 3.72. Then you come to the wool top, which is the exportable article, and it works right against American wool-top manufacturers. There, the rate is 4.10.

Now, I ask you this question: Why should Uruguay change its rate of exchange with reference to these articles and raise it as they get into the field of refinement providing more Uruguayan jobs?

Don't you see what your formula is doing?

It is allowing these countries to raise the rate of exchange where they want to export goods, to lower it where they don't care too much to export goods. You come along and you strike an average and you play right into their hands and you destroy American industry.

That is precisely what is happening here, and I say this: That the Congress of the United States, when it enacted this law, had that in mind. That is why it said "any article."

I realize this. It is pretty hard for you to invoke a formula in every particular article. It may be the fault of Congress that we did not write the right kind of law.

It might well be the chances are you hit a compromise. The importers of the wool tops, they wanted the low figure of 2.81, the free mark on your pesos. The manufacturers of wool tops wanted it high, the larger figure. So what did you do?

You come along and you compromise the two. You try to make the both of them happy at the time when maybe it did work, but today it won't work.

I am told by manufacturers of wool top in the State of Rhode Island that if you remove this countervailing duty from these products, the wool-top industry in the State of Rhode Island will become extinct.

Now that is how serious this is. The problem is not academic. This is not a theoretical problem. This is a real practical problem that requires a sound solution.

In view of the fact that countervailing duties have prevailed alone on wool tops, it strikes me that that is where we ought to concentrate our attention and not be talking about a general overall benchmark.

I say this to you, sir: I do hope this. I realize it might be thought that I am making a whistle-stop speech, here, but I do say this to you, sir: I regret very much that you are committed to a position that you have instituted a formula and you are adamant in maintaining that formula. I think it is going to do irreparable harm, and I would prefer to see an administrator of your caliber come before this committee and say, "In view of the sentiments expressed here this morning and the fact that this industry is being hurt, we are going to review this whole matter. We are going to sit down and talk to the Uruguayan Government and see if we cannot reach a sensible formula which will at least compensate American manufacturers for the subsidy that is being invoked by the Uruguayan Government."

I thank you, Mr. Chairman.

Senator ANDERSON. I want to get started with the other side of the story. But will you just furnish me this one statement? This law was passed in 1930 and a similar law in 1898. Was there ever a weighted average formula under the countervailing duty system used before the year 1953?

Mr. FLUES. I do not believe so.

Senator ANDERSON. You do not believe so?

Mr. FLUES. No, sir.

Senator ANDERSON. I think that is probably a correct statement. Therefore, this is an invention that has come up since 1953.

Mr. FLUES. That is right.

Senator PASTORE. Mr. Chairman, will you yield on that point?

Senator ANDERSON. Yes.

Senator PASTORE. The way these foreign countries have overcome prior practices, you see, is by using these multiple exchange formulas now. I mean the multiple exchange process is only to undermine the formula that was instituted by the Treasury Department. That is the way they can do it, because by multiple application, they get into manipulation, and they lower it where they do not care to export and they raise it where they care to export, making it attractive for their manufacturers to get into that particular category which commensurately destroys American jobs in American industry.

I say this: That while they are insisting here that the tariff law will take care of this, the tariff law will not. There is nothing in the tariff law that takes care of a subsidy on an article.

Senator McCARTHY. Mr. Chairman, could I ask one more question?

Senator ANDERSON. Senator McCarthy.

Senator McCARTHY. I would like to ask the witness what great changes were made in December 1958 as to the general average in your formula. What changes were made of the rates, either export or import rates, of the Uruguayan Government which resulted in the change which brought about your decision to take off the countervailing duty? This could have happened through a change in the rates on wool tops or it could have happened through changes which moved your benchmark.

Mr. FLUES. Senator, there are many, many changes. There are hundreds, even thousands of commodities involved. I do not say there are changes as to all of those. The changes were extensive.

Senator McCARTHY. Which are the major ones affecting your formula, the weighted average?

Mr. FLUES. I mentioned earlier that we do have the two decrees here which set out these changes, and those are in English, but we have others that are in Spanish that have not yet been translated.

I doubt if I could give you the information that you want at this point, Senator, but we will provide you with that, if you would like it.

Senator McCARTHY. I think it is rather fundamental to the whole question, it seems to me, so I would very much like to have that information for the record.

Mr. FLUES. We will get that to you, sir.

Senator McCARTHY. Would you do it in one of two ways: Change the rate on wool and wool tops, or you can leave that alone and shift your benchmark. It is a question of which the standard is in this case. (The following was later received for the record:)

The Uruguayan exchange rate changes in December 1958 completed a series of exchange rate changes which started in September 1958, when the Uruguayan Government issued an extensive series of changes in export rates, including the rates affecting wool and wool top. At that time, it was announced that further changes in export and import rates would be issued. The December changes themselves dealt largely with import rates and involved transfer of two categories of imports (representing about 10 percent of total imports) to the free market exchange rate.

The series of rate changes between September and December have raised average export rates in Uruguay above the rate of exports of wool top. Since the benchmark actually used by the Treasury, however, was the average of export and import rates, an overall computation was not made until the import changes had taken place at the end of December. This computation confirmed that the average export-import rate was above the rate for wool top, thus indicating the removal of the countervailing duty on wool top.

Senator HARTKE. Mr. Chairman.

Senator ANDERSON. Senator Hartke.

Senator HARTKE. I just have one question which I asked and it is a repetition again, but I asked the Secretary a moment ago if there is any other country with a multiple exchange rate system in which a countervailing duty is imposed, and I did not mean with reference to wool; I mean to any article. And the Secretary said, "No."

Mr. FLUES. No; that is correct.

Senator HARTKE. This is the only country in which there is a multiple exchange rate system in which a countervailing duty is imposed, is that right?

Mr. FLUES. That is correct.

Senator HARTKE. So we are dealing with a very isolated thing here which involves one country and practically one item under this law, is that right?

Mr. FLUES. That is right.

Senator HARTKE. That is all. Thank you.

Senator PASTORE. Will the Senator yield?

Senator HARTKE. Yes.

Senator PASTORE. It is clear here that the countervailing duty is only applied in Uruguay, and only on wool tops.

Mr. FLUES. No.

Senator PASTORE. And nothing else.

Mr. FLUES. No; that is not a true statement.

Senator PASTORE. On what else?

Mr. FLUES. It is a true statement as of now, but what I mean is that the formula is available for any other commodity.

Senator PASTORE. I realize that, but has it applied to any other commodity?

Mr. FLUES. No; it has not.

Senator PASTORE. That is what I mean. It is only applied to wool tops.

Mr. FLUES. Where there is a multiple exchange rate.

Senator McCARTHY. This is a distinctive formula which is used only on wool and only in Uruguay at the present time.

Senator ANDERSON. Which is effective.

Senator McCARTHY. Yes, effective. It has been in effect. What are some of the other countries that have multiple exchange rates? I think there are 14.

Mr. FLUES. There are some 14. I could mention Spain, Israel - let me see if I can work up a little list.

Senator ANDERSON. Supply it for the record.
(The information requested is as follows:)

FOREIGN COUNTRIES WITH MULTIPLE EXCHANGE RATES FOR COMMODITY TRADE
AS OF FEBRUARY 1959

Europe:	Latin America - Continued
Iceland	Ecuador
Spain	Uruguay
Turkey	Venezuela
Yugoslavia	Asia:
Latin America:	Afghanistan
Brazil	Israel
Colombia	Jordan
Costa Rica	

Senator McCARTHY. In these situations which use countervailing duty which is based upon the lawful exchange formula?

Mr. FLUES. Pardon me, Senator?

Senator McCARTHY. You say there are 14 other countries -----

Mr. FLUES. Yes.

Senator McCARTHY. Which have multiple-exchange rates?

Mr. FLUES. Right.

Senator McCARTHY. And it is theoretically possible that you might use countervailing duties against those countries based upon the average determined, using the same formula you used in Uruguay?

Mr. FLUES. Yes.

Senator McCARTHY. But there are none on which you now impose any countervailing duties except Uruguay?

Mr. FLUES. That is correct.

Senator McCARTHY. And if this is taken off, there would be none.

Mr. FLUES. As I mentioned earlier, the only countervailing duty other than this which has been asserted is that against Spanish almonds, but there a direct premium was made. There was a different condition.

Senator McCARTHY. It is not a matter that is being determined on the basis of exchange?

Mr. FLUES. That is correct.

Senator McCARTHY. So if we did something about this particular formula, it would not disrupt relationships with many other countries?

Mr. FLUES. No.

Senator ANDERSON. Would it also not be safe to say that when you get rid of the countervailing duty on Uruguayan wool tops, then that section of the law that relates to countervailing duties might just as well not be in the books?

Mr. FLUES. Oh no, Mr. Chairman, we could not agree with you on that statement.

Senator ANDERSON. Where else do you use it?

Senator PASTORE. Mr. Chairman, once you remove the countervailing duties from wool tops out of Uruguay, there is no other article that comes into the United States where that law would apply, is that correct--would effectively apply?

Mr. FLUES. Pardon me just a moment, Senator. We would be glad to furnish to the committee any list of countervailing duty orders that are out.

I think that would be helpful.

(The following was later supplied for the record:)

ORDERS OR NOTICES ISSUED UNDER SECTION 303, TARIFF ACT OF 1930, OR A CORRESPONDING PROVISION OF A PRIOR ACT, ARE CURRENTLY IN EFFECT WITH RESPECT TO THE MERCHANDISE LISTED

Australia:

Sugar content of certain articles.

Butter.

Fortified wines.

Canada:

Cheese, 93-94 score, from whole milk, cheddar, including "washed curd," types.

Cheese, 93-94 score, blue-vein, of Roquefort type.

Cuba: Cordage.

Denmark: Butter.

Great Britain:

Spirits.

Silk and silk articles.

Sugar.

Ireland: Spirits.

Spain: Almonds

Uruguay: Wool tops.

(Sec. 303, 46 Stat. 687; 10 U.S.C. 1303.)

Senator McCARRHY. There are countervailing duties in many countries but the point is they are not based upon multiple-exchange propositions.

Mr. FLUES. That is right.

Senator ANDERSON. That will be all for you, Secretary Flues.

The industry witness who is to start is Morton E. Darman, president of the Top Co. of Boston, Mass.

Mr. Darman, let me try to rearrange the schedule with you. Would you rather make your presentation now, or would you rather come back at 2:30 when Senator Hartke can preside? Or perhaps would you rather try to get us some morning again? I am not trying to prevent you from making your statement, because every woolman that I talk to is extremely anxious to examine the Treasury's position carefully and the committee has tried to do that this morning.

Mr. DARMAN. Mr. Chairman, I am at the disposal of the Chair.

Senator ANDERSON. How long is your statement?

Mr. DARMAN. It should not take over 7 or 8 minutes at the most.

Senator ANDERSON. Why not start with your statement and then we will see what happens.

Mr. FLUES. Mr. Chairman, do you need me any further?

Senator ANDERSON. I think you might want to be here, but I recognize the pressures on you, Mr. Secretary. Will you leave some member of your staff here?

Mr. FLUES. I will.

Senator ANDERSON. May I say the same to you, Mr. Darman and Mr. Josendal, as I said to the Secretary. We like to have these statements in advance, and it is not your fault that we did not notify you. Go ahead.

State your name for the record, and the position that you occupy and who else is here with you.

STATEMENT OF MORTON E. DARMAN, PRESIDENT, THE TOP CO., BOSTON, MASS., ACCOMPANIED BY HAROLD JOSENDAL, PRESIDENT, NATIONAL WOOL GROWERS ASSOCIATION

Mr. DARMAN. Mr. Chairman and members of the committee, my name is Morton H. Darman. I am president of the Top Co., Boston, Mass., and of the Barre Wool Combing Co., Ltd., South Barre, Mass., and our business is the manufacture of wool top.

Today I am representing the National Association of Wool Manufacturers in which I represent the wool top manufacturers on its board of directors.

Also joined with us in our statement today are the following: The National Wool Trade Association, the Boston Wool Trade Association, the Northern Textile Association, and the Philadelphia Wool and Textile Association.

These groups combined represent substantially the entire wool textile industry and wool trade of the United States. Together with the National Wool Growers Association represented by its president, Mr. Harold Josendal, and the National Wool Marketing Corp., we present before you a united front.

Our common purpose is to take issue with the Treasury's finding that no bounty or grant is bestowed upon the export of wool tops from Uruguay and to oppose its announced intention to rescind the countervailing duty on said tops.

We are most grateful for this opportunity to appear before this committee.

I wish to emphasize at the outset, Mr. Chairman, that the matter here today has no relationship whatsoever to the Trade Agreements Act, to any trade agreement, or to any duty concession which might have been granted under any such agreement.

The matter at hand can be concisely stated: Is Uruguay bestowing "directly or indirectly any bounty or grant" on the exports of wool in the form of wool top through its system of multiple currency exchange rates? Without hesitation, we say "Yes."

We have always maintained that the bounty or grant arises from, and is measured by the difference between the exchange rates for greasy wool and wool tops. Today the exchange rate on receipts from greasy wool is 3.456 while that for top is 4.1025 pesos per dollar, a

10 percent advantage on the export of top over raw wool. The Treasury test for a bounty or grant by relating the exchange rate for top to a "representative rate" based on all imports and export rates, is unwarranted by law and leads it to a finding that no bounty or grant exists. This finding is contrary to logic, reality, and to what the world wool industry knows.

This document has a threefold purpose:

1. To review briefly our efforts to have the countervailing duty imposed and our subsequent efforts to ascertain how the Treasury computed the grant or bounty.

2. To present a summary of the legal authorities and court decisions under the countervailing statute.

3. To demonstrate that the Treasury's formula, or yardstick, is unwarranted by law, and reaches conclusions contrary to logic, contrary to commercial reality, and contrary to what the wool industry throughout the world openly admits to be the fact.

Mr. Chairman, with your permission I would offer this documentary for inclusion in the record in its entirety.

Senator ANDERSON. Without objection, the document will be included in the record in its entirety.

(The entire statement of Mr. Morton H. Darman is as follows:)

DOCUMENTATION OF REMARKS OF MORTON H. DARMAN, IN RE COUNTERVAILING DUTIES, SECTION 303 OF THE TARIFF ACT OF 1930 AS AMENDED

Mr. Chairman and members of the committee, my name is Morton H. Darman. I am president of the Top Co., Boston, Mass., and of the Barro Wool Combing Co., Ltd., South Barre, Mass., and our business is the manufacture of wool top. Today I am representing the National Association of Wool Manufacturers in which I represent the wool top manufacturers on its board of directors. Also joined with us in our statement today are the following: The National Wool Trade Association, the Boston Wool Trade Association, the Northern Textile Association, and the Philadelphia Wool and Textile Association. These groups combined represent substantially the entire wool textile industry and wool trade of the United States. Together with the National Wool Growers Association represented by its president, Mr. Harold Josendal, and the National Wool Marketing Corp., we present before you a united front. Our common purpose is to take issue with the Treasury's finding that no bounty or grant is bestowed upon the export of wool tops from Uruguay and to oppose its announced intention to rescind the countervailing duty on said tops.

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1. HISTORY

This countervailing duty was imposed under section 303 of the Tariff Act of 1930 providing as follows:

"Whenever any country * * * shall pay or bestow, *directly or indirectly*, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country * * * and such article or merchandise is dutiable under the provisions of this act, then upon the importation * * * into the United States * * * there shall be levied and paid, *in all such cases*, in addition to the duties otherwise imposed by this act, an additional duty equal to the net amount of such bounty or grant, *however the same be paid or bestowed* * * *" [Emphasis ours.]

The principle of countervailing duties in the United States, long antedates the Tariff Act of 1930. This statute expresses a congressional intent and is framed in language so clear as to leave no area of discretion in its interpretation or administration. The courts have had no hesitancy of applying the act in its broadest sense and have unanimously recognized that it was the congressional intent to prohibit such imports to be "sold for less in competition with our domestic goods * * *." The grant or bounty which permits such an unfair trade practice is the target of the congressional prohibition. Courts have made short shrift of all devices no matter how obscure or concealed, which have been resorted to in an effort to disguise the bounty.

The mandatory operation of the statute is not conditioned on the showing of injury: 'in fact, such proposals have been rejected by Congress.'

We should like to sketch briefly the history of the countervailing duty on Uruguayan wool top and to reaffirm our historic position that a bounty or grant arises from, and must be measured by, the differential between the exchange rates for geany wool and wool tops.

In November of 1950, the National Association of Wool Manufacturers (hereafter NAWM) first addressed the Treasury Department expressing concern with the preferential treatment accorded the exportation of Uruguayan wool top in relation to wool under that country's multiple exchange rates. On December 14, 1950, the Commissioner of Customs replied that multiple rates did not result in a bounty or grant in "the usual sense of the term."

In 1952, with imports rapidly mounting, NAWM on the same ground made repeated efforts to prevail upon the Secretary of the Treasury and also pursued this matter before this committee in April in connection with an amendment proposed in H.R. 5503, a customs simplification bill. Then, as now, our position was supported by the textile unions.

Under date of February 21, 1952, a letter was addressed to the Treasury signed by some 19 Senators and several Congressmen, reviewing, for the benefit of the Secretary, section 303 and the interpretation placed thereon of the mandatory duties of the Secretary of the Treasury thereunder. This letter said in part:

"* * * That it was not the intention of Congress to allow the Secretary discretionary power to determine whether or not a device which has the effect of granting a preferential position to any exporter from another country seems to be proven not only by the fact that section 303 provides for a mandatory countervailing duty, but by the fact that in the clause imposing the additional duty, the section describes it as being 'equal to the net amount of such bounty or grant, however the same may be paid or bestowed.'

"This phrase 'however the same be paid or bestowed' removes any possible ambiguity and imposes upon the Secretary an obligation which he may not avoid by construing preferential treatment through multiple export rates as a technique of deriving tax revenues, of avoiding political and other difficulties in the devalua-

¹ Kendall, Ways and Means (Boggs subcommittee), September 1956: "* * * in the countervailing duty no question of injury is involved and only a determination has to be made whether or not a bounty or grant has been bestowed upon this export."

² Southard, Senate Finance Committee, Apr. 22, 1952 (p. 23): "The Treasury has more than once proposed that an injury test be included in sec. 303. * * * The Treasury's proposals for inclusion of an injury test have met with no favor in Congress."

tion of their currencies or of producing other economic effects within the countries. The only question is whether the method used accords preferential treatment by which the American duty is avoided. No matter how the preference is paid or bestowed and no matter what internal effect it may have, if the method used grants an advantage to an exported commodity then the countervailing duty must be imposed. * * *

* * * If a multiple export rate has the effect prescribed in the law even though it may have other economic effects, no discretion is given by the law to the Secretary to vary the effect Congress sought to produce. * * *

Again on February 24, 1953, NAWM continued its pursuit of legal implementation of section 303 in a letter addressed to the Secretary of the Treasury. On May 4, 1953, in testifying before the Ways and Means Committee, the Secretary of the Treasury revealed his affirmative decision to act, and on May 6, Treasury Decision 53257 was issued providing an 18 percent countervailing duty on wool top from Uruguay, effective June 7, 1953. By that time, the imports had multiplied to serious proportions.

From this point on the NAWM has frequently undertaken to obtain specific details of the Treasury Department's formula.

On July 26, 1953, the Uruguayan rate of exchange for export of wool top was reduced from 2.10 to 2.06 pesos per dollar, and on January 24, 1954, this rate was again reduced from 2.06 to 1.97 pesos per dollar. On March 5, 1954, Treasury Decision 53446 reduced the countervailing duty on Uruguayan wool top from 18 percent to 6 percent.

On March 12, 1954, NAWM again wrote the Commissioner of Customs: "We have no knowledge of the methods of calculation leading to the 18 percent figure. However, taking into consideration only such exchange rate adjustments of which we are aware, the reduction appears to be excessive." *

Treasury cites complexity of its formula

On April 6, 1954, in reply, Assistant Secretary of the Treasury Rose replied:

"In recent years the problem of whether a bounty or grant exists has become greatly complicated for us because foreign countries have resorted to complex systems of multiple exchange rates. * * * In the specific case of Uruguay this department employed an averaging process to arrive at the proper basing point or representative rate. In May 1953, that rate was determined to be 1.86 pesos per dollar, based on the weighted average of export and import rates over a representative period. At that time the effective wool top export rate was 2.10 pesos per dollar and the bounty was therefore estimated to be 33 centesimos per dollar, or 18 percent in excess of the representative rate. In February 1954 the effective wool top rates had been reduced to 1.97 pesos per dollar and the Treasury Department estimated the bounty to be 11 centesimos per dollar, or 6 percent above the benchmark in February 1954 which, when recalculated, was found to remain the same as in May 1953."

On February 10, 1955, the trade press reported that the wool top export rate in Uruguay has been increased from 1.97 to 2.03 pesos per dollar, and NAWM promptly asked the Treasury if such change would affect the countervailing duty. On February 21, in reply, Assistant Secretary Rose confirmed the rate change and further pointed out:

"There are several factors to be considered in this connection as to which we now have some, but not all, of the information needed. Should the net result of evaluation of all factors justify a change in the computation of the bounty, I can assure you that we shall make a corresponding change in the countervailing duty."

On April 12, NAWM inquired whether the needed information has been obtained for the adjustment of the countervailing duty, and on April 22 Mr. Rose replied:

* * * there has been greater delay than we had expected in the assembling of facts on the Uruguayan wool-top situation. This was due to reasons which I am satisfied were extraordinary, *beyond our control*, and made the securing or earlier full reports impossible * * *. Our figures are now in, and our remaining problem is to analyse them and reach a conclusion." [Emphasis added.]

* The basis for this assertion: (1) The rate of exchange for wool has remained constant at 1.510 pesos to the dollar; (2) on Jan. 23 the rate of exchange for tops was established at an effective rate of approximately 1.968 pesos to the dollar; (3) the effective rate at the time the 18 percent countervailing duty was determined was 2.151; (4) the exchange rate for wool tops was reduced, therefore, only about 8 percent; (5) an 8 percent reduction in countervailing duty would bring it to 16.5 rather than 6 percent.

Finally, on June 10, the Treasury advised NAWM that it considered the present assessment of the duty reasonable, and no corrective action was taken. On June 13 NAWM again addressed the Treasury, expressing its bewilderment at the contents of the Treasury's reply of June 10.

Treasury formula further complicated

Thereafter, on July 8, 1955, the Treasury, without revealing the specifics of its formula, indicated that a new element had been added—taxes on exports and imports. It also advised that no change was called for, but that it would make further investigation if imports increased. The contents of this reply revealed the Treasury's continuing efforts to apply an injury concept where none is contemplated by law.

On October 27, 1955, the trade press reported another increase in the exchange rate on wool top to 2.16 pesos per dollar, and on the next day, October 28, NAWM wrote the Secretary of the Treasury, requesting details on duty adjustments and suggesting industry consultation.

Since March of 1954 our industry has been endeavoring to obtain the specific details of the Treasury Department formula for determining the measure of the countervailing duty. As recently as only last week, February 10, in reply to this specific question by the president of the Boston Wool Trade Association, Assistant Secretary of the Treasury A. Gilmore Flues indicated that the problem was still a complicated one and further stated:

"When two or more rates are in use we are automatically faced with the question of what rate or combination of rates is the 'representative' one and we must of necessity determine that basing point before we can conclude that a foreign country is engaged in subsidizing its exports."

This is essentially the same reply as NAWM had received from Assistant Secretary Rose in April of 1954 and is consistently silent on the details which have been repeatedly sought.

That this "representative rate" factor in the Treasury's formula was still an unanswered question on which information was sought is apparent from a letter sent to the Treasury Department by NAWM on February 20, 1956, in which was raised the question of its relevance. In part the letter states:

"May I take this opportunity to express our appreciation of the efforts made to apprise us through Eugene O'Dunne, Jr., Esq., our Washington counsel, as to the methods employed in arriving at the countervailing duty."

"At the risk of appearing naive in matters of this nature, I feel constrained to point out that it is our feeling that a relatively simple problem has been extremely complicated by the inclusion of seemingly nonrelevant factors. Briefly, I would recall that it is our position that the degree of subsidization can be determined by comparison of the rates of exchange prevailing for a raw material and manufactures or semimanufactures of that same raw material; that, what we chose to call 'nonrelevant' factors are matters of local political and economic expediency with no true bearing on the case."

Still later when the validity of this countervailing duty was challenged in the customs court, NAWM did not become a party of record but offered the Department of Justice its cooperation in sustaining the assessment of this countervailing duty on wool top. However, at the very outset it was made crystal clear to the Department of Justice that in the industry there was no understanding of the use of the "representative rate" theory adopted by the Treasury, and that for testimony on this aspect it must look to the Treasury Department.

The Treasury's recent announcement that it is unable to find grounds for a countervailing duty in the current multiple exchange rates, which hold a 19 percent advantage for the export of wool top over raw wool, serves to confirm our contention that its formula is both unrealistic and inadequate under the law.

The rate on greasy wool is 3.456 pesos per dollar and on wool top 4.10 pesos per dollar, or a difference of 19 percent in favor of wool top. Any formula

⁴ Counsel reported that from this very courteous conference with the Treasury he derived only the most tentative conclusions inasmuch as no documents or other formula were available for examination. In substance, it appeared that the Treasury took the total exports for a given year; that said exports were divided into eight commodity groups and the foreign exchange received from the aggregate of each group was totaled, irrespective of the particular multiple rate applicable. The total foreign exchange from all eight groups was then totaled and weighted, according to some undisclosed yardstick. A similar procedure was then pursued with respect to all imports. The total pesos expended for the imports was then in some manner first added to, and then averaged with, the total exchange received from the exports. No yardstick for the weighting method was disclosed nor was any justification offered as to why total imports were regarded as a relevant factor in computing a bounty on particular exports.

which fails to reflect such a currency preference or any formula which permits such a subsidy to be concealed behind other factors in an equation involving other commodities, certainly is not reflective of commercial reality. There is no known precedent for such distortion of the obvious and well recognized congressional intent as expressed in the statute. None of the opinions and court decisions, discussed later herein, contains any loose language which would permit, by even the most stretched interpretation, that unrelated commodities in unrelated transactions at different currency rates and moving as both imports and exports, to be bundled into a national overall average so as to screen a subsidy. Rather, the cases uniformly examine solely the particular transaction which was before the court and apply the exchange rate for the applicable currency or commodity which was actually used by the parties in the case at issue. (See *E. W. Woolworth Co. v. U.S.* and 30 Op. Atty Gen. 261; *infra.*)

2. SUMMARY OF LEGAL INTERPRETATIONS AND DECISIONS UNDER THE STATUTE

It is our intent to summarize briefly Court decisions and opinions of the Attorney General of the United States which have discussed in detail this section of the law.

1. Discussion of the general application of section 303

The broad application of section 303 to all types of governmental assistance has been clearly stated by the Attorney General (38 Op. of Atty. Gen. 480, 491):

"It is plain from the statute itself that it was intended to anticipate as inclusively as possible all practices and devices which might be resorted to or invented to circumvent it by obscuring or concealing their purposes as bounties or grants. This history of the act fully corroborates its purposes to make impossible its evasion by indirection or disguise."

The Supreme Court of the United States has likewise construed the language of this section. In *Nicholas v. U.S.* (240 U.S. 34, 39 (1919)), the Court said:

"If the word 'bounty' has a limited sense, the word 'grant' has not. A word of broader significance than 'grant' could not have been used. Like its synonyms 'give' and 'bestow' it expresses a concession, the conferring of something by one person upon another. And if the 'something' be conferred by a country 'upon the exportation of any article or merchandise,' a countervailing duty is required by paragraph E."

The Court of Claims in the above case (7 Ct. of Cust. App. 97, 106 (1913)), stated:

"Whenever a foreign power * * * shall give any aid or advantage to exporters of goods imported into this country therefrom whereby they may be sold for less in competition with our domestic goods, to that extent by this paragraph the duties fixed in the schedule of the act are increased. It was a result Congress was seeking to equalize regardless of whatever name or in whatever manner or form or for whatever purpose it was done."

2. Types of "bounties or grants" where a countervailing duty has been imposed

It is clear, of course, that a direct payment by a foreign government to one of its exporters represents a "bounty or grant" which will give rise to a countervailing duty (39 Op. Atty. Gen. 282 (1930)) approved of a countervailing duty where Italy paid its silk exporters the difference between the official Italian price of silk and the average market price in New York and Yokohama, plus an additional bonus.

Likewise, a countervailing duty has been imposed if a tax, imposed by a foreign government upon its manufacturers, is abated or refunded to the extent that products are exported. *Nicholas v. U.S.* (240 U.S. 34 (1919)) concerned a British tax on distillers, but the tax was refunded for all spirits which were exported. As a result of this refund, spirits sold at a lower price in the United States than in Great Britain. A countervailing duty was therefore authorized.

Similarly, if a manufacturer of export items is exempted from the tax of its local government, a countervailing duty will be imposed. *U.S. v. Hills Bros. Co.* (107 Fed. 107 (C.C.A. 2, 1901)), involving a tax on Dutch sugar manufacturers.

A related decision is *Downs v. U.S.* (187 U.S. 496 (1903)) where the Government of Russia gave its sugar exporters permission to sell in Russia more than their usual quota measured by the amount of sugar which they had exported. This additional right to sell sugar in Russia had a market value, and was, in fact, sold to other Russian sugar manufacturers who had not exported their

products. A countervailing duty was imposed to the extent of the value of the right granted by Russia.

The economic warfare which preceded World War II illustrates many methods which were devised to permit German exporters to compete in foreign markets. An opinion of the Attorney General (38 Op. Atty. Gen. 480 (1930)) discussed three of these methods. The first two methods, which the Attorney General discussed, were plans whereby the German Government permitted its exporters to purchase German script or bonds which sold at a substantial discount. The script or bonds would then be redeemed at face value by the German Government. The Attorney General had no difficulty in holding that a countervailing duty was required, presumably in an amount equal to the difference between the acquisition price and redemption value of the script or bonds.

The third method is described in the case of *F. W. Woolworth Co. v. U.S.* (115 F. 2d 349 (Ct. of Cust. Ap., 1940)), involving the use of controlled marks and free marks. Controlled marks were of limited use and sold on the market at a considerable discount from the German free mark. In certain cases, Germany would permit its exporter to sell merchandise for both free marks and controlled marks. In the Woolworth case, the American buyer agreed to purchase German chinaware at a fixed number of marks, 90 percent to be paid in controlled marks and 10 percent in free marks. The buyer bought the controlled marks at the discounted price and the free marks at their full price and made payment as agreed. Germany then reclassified the controlled marks which its exporter received into free marks. The Treasury successfully contended that a countervailing duty should be imposed equal to the discount at which the controlled marks were purchased by the American importer. It is interesting to note that the Treasury made no contention that the average of all German exchange transactions should control the amount of the countervailing duty. Instead, its contention was that the actual exchange rate which was used in the transaction before it was controlling.

A fourth German attempt to assist its exporters is described in 39 Op. of Atty. Gen., 261 (1930). In this case the U.S. importer of, for example, German cameras, bought cotton in the United States using the same amount of dollars which he would be required to pay for the German cameras. The U.S. importer then sold the cotton in Germany for controlled marks in an amount equal to the market value of the cotton, plus 33 percent. The controlled marks were then paid to the German exporter of cameras, and the cameras shipped to the U.S. importer. Once again, the Attorney General had no difficulty in concluding that the additional 33 percent of German marks represented a "bounty or grant," and hence, a countervailing duty was required.

3. THE TREASURY'S FORMULA IS UNWARRANTED BY LAW, CONTRARY TO LOGIC, TO COMMERCIAL REALITY, AND TO PUBLIC KNOWLEDGE

Although the Treasury's formula fails to detect a 19 percent differential as either a subsidy, a grant, or a bounty, the industry deplors the effects on trade which invariably can only result from a subsidy, or a bounty, or a grant.

It is an open secret in Uruguay among the trade that this preferential rate for wool top is exactly, and nothing less, than what we are contending here. The Uruguayans know the purpose of this bounty; the American wool trade, as does the wool trade throughout the world, knows the intent, the purpose, and the effect of this preferential rate. In its report after a visit to Uruguay, an International Wool Textile Organization Mission stated with respect to the rate differential on wool and wool top:

"The subsidy--and its existence is so evident both from the arithmetic of the situation and its observed effects--is an automatic recognition of the un-economic character of the industry, and, therefore, a drain on Uruguayan national resources, and at the same time is so large as to provide their top exporters at most times with ample margin to undercut international competitors.

"The subsidy is the result of the preferential exchange rate for tops compared with the exchange rate for raw wool, and also the differentiation which exists in the application of export taxes."

Moreover, our agricultural attaché in Uruguay in his semiannual wool report to the Department of Agriculture (Foreign Agriculture Service Report No. Agr. 10, November 4, 1958) states in part:

"In the past 9 years Uruguay has established a sizable wool-tops industry and exports of tops in 1957-58 reached about one-sixth of the total exports.

This industry has been unable to compete in export markets without 'bonus' exchange rates. For instance, in June 1956 exports of manufactured tops received 36 percent more pesos per dollar than raw wool exports."

It is apparent to us that the agricultural attaché is in agreement with us that the differential in exchange rates between wool and top is the measure of the "bonus" or bounty. A table of changes in peso per dollar exchange rates on greasy wool and wool top is attached as exhibit A.

Mr. Chairman, if our Government officially refuses to recognize the obvious facts of this situation then we officially countenance an unfair trade practice which is in direct defiance of all the efforts of the International Monetary Fund to achieve integrity in currencies in the interest of liberalized trade. If the formula adopted by the Treasury is permitted to stand, then not only is the countervailing duty statute rendered meaningless but the circumvention of the intention of the Congress as expressed in the Tariff Act is both condoned and assisted.

Although this extreme untenable result reached by the Treasury is done in the name of friendship for Uruguay, it is, in fact, a cruel and heartless delusion. Again quoting the report of the International Wool Textile Organization:

"It is evident that multiple-exchange rates or subsidies do not offer a solution of international lack of balance, on the contrary they can only perpetuate the causes for the fundamental lack of balance, divert production into uneconomical directions, pervert the structure of costs, and increase inflationary pressure.

"Undoubtedly, every country can temporarily improve its position by using these instruments, but when other countries are compelled to take similar measures, nobody wins in the end.

"* * * It is the firm conviction of the members of the IWTO mission—a conviction made stronger by their visit to Uruguay—that the Uruguayan system is disrupting the wool and wool top markets of the world. * * *"

Industry requests increase in present countervailing duty from 6 percent to 19 percent

We would again restate our conviction that the multiple rates of exchange presently obtaining in Uruguay would now not only justify but call for the imposition of a countervailing duty of 19 percent. This proposal is based on our understanding that the current rate of exchange for greasy wool when exported from Uruguay to the United States is 3.456 pesos per dollar and that for wool top when exported from Uruguay to the United States is 4.1025 pesos per dollar.

In taking this position we hope it is understood that we are not unaware of the problems confronting Uruguay; but it would appear that, within our elaborate programs for foreign aid, there would be justifiable methods for the extension of economic aid to Uruguay which fully conformed with our law. We contend this should not be confused with and achieved through the disregard of existing laws and the failure to fulfill administrative obligations to those laws.

Respectfully,

MORTON H. DARMAN.

EXHIBIT A.—Uruguay—Pesos per dollar exchange rates on receipts from export of greasy wool and wool top

Date	Greasy wool	Wool top	Countervailing duty assessed by Treasury	Grant or bounty
			Percent	Percent
Feb. 28, 1951.....	1.519	2.35		54.7
Feb. 27, 1952.....	1.519	2.15		41.5
May 6, 1953.....	1.519	2.19		44.2
July 26, 1953.....	1.519	2.08	18	35.6
Jan. 24, 1954.....	1.519	1.97	18	29.7
Mar. 8, 1954.....	1.519	1.97	6	29.7
Feb. 8, 1955.....	1.619	2.08	6	33.6
Sept. 15, 1955.....	1.720	2.17	6	25.5
Apr. 1, 1956.....	1.589	2.17	6	31.6
Oct. 29, 1956.....	1.912	2.32	6	21.3
Nov. 11, 1957.....	2.165	2.68	6	23.8
Oct. 1, 1958.....	3.456	4.10	6	18.0

Mr. DARMAN. In listening to the testimony here this morning, Mr. Chairman, I feel that the committee has amply and far better than I covered the supporting evidence to our case in its line of questioning.

I would therefore merely sketch in outline form the position of the entire wool trade in this matter. The crux of the matter obviously is the Treasury's formula. We believe the Treasury's formula fails on three counts. We think it fails to stand the test of logic. We think it fails to stand the test of the law, and we think it fails to stand the test of commercial reality. I think the evidence this morning made that crystal clear.

At this point, Mr. Chairman, I would, for the record, like to clear up one misstatement of fact, I presume unintentionally contained in the brief of Mr. Flues.

In Mr. Flues' document, he referred to the U.S. importers of wool top, and as I read his comment there, and again later, I got the impression, and presume that anyone else might, that he meant to indicate that the majority of the U.S. importers of wool top supported the position which he describes in his paper.

Sir, this is not the fact. We represent the overwhelming majority of the U.S. importers of wool top, both on the basis of the past record, and the potential which lies ahead. In 1951, 1952, and 1953, the vast majority of Uruguayan wool top which came into the United States was brought in through firms which are represented here today, and there are many gentlemen in the trade seated behind me who, if time would permit, would attest to that fact.

We never supported the Treasury's position, and, sir, we do not support it now.

Mr. Chairman, it is an open secret in Uruguay among the trade that this preferential rate for wool top is exactly and nothing less than what we are contending here. The Uruguayans know the purpose of the bounty. I think Senator Pastore's questioning pointed out very well how knowing the mechanics of this formula, they can take great advantage of it.

Senator ANDERSON. I want to agree with you. I think Senator Pastore made a great contribution by his questions and I am happy that you feel the same way about it.

Mr. DARMAN. Thank you, sir. I would not exclude the Chair from my comments in this regard, either, sir.

Senator ANDERSON. I particularly like what he did.

Mr. DARMAN. The International Wool Textile Organization representing all the wool trade organizations in the free world obviously was concerned with this situation and caused a mission to visit with Uruguay. They concluded that there was in fact a subsidy, and that this was in fact an unfair trade practice which was disrupting world trade. The quotations supporting this are in the documentary which is in the record.

If I may, I will read just two brief paragraphs:

The subsidy, and its existence is so evident both from the arithmetic of the situation and its observed effects, is an automatic recognition of the uneconomic character of the industry and, therefore, a drain on Uruguayan national resources, and at the same time is so large as to provide their top exporters at most times with ample margin to undercut international competitors.

The subsidy is the result of the preferential exchange rate for tops compared with the exchange rate for raw wool, and also the differentiation which exists in the application of export taxes.

Mr. Chairman, this finding by the International Wool Trade Organization is not inconsistent with our own position. Moreover, our agricultural attaché in Uruguay in his very latest semiannual wool report to the Department of Agriculture states in part, and I quote:

In the past 9 years Uruguay has established a sizable wool-tops industry and exports of tops in 1957-58 reached about one-sixth of the total exports. This industry has been unable to compete in export markets without "bonus" exchange rates. For instance, in June 1958 exports of manufactured tops received 36 percent more pesos per dollar than raw wool exports.

It is apparent to us in industry that the agricultural attaché is in agreement with us that the differential in exchange rates between wool and tops is the measure of the bonus or bounty.

Incidentally, sir, attached as exhibit A to our documentary is a table listing the effective changes in wool and wool top rates.

Coincidentally, the table will show that based on the rate change April 1, 1956, which was in effect at the time that the agricultural attaché made his statement, our calculations indicate a bonus or subsidy or bounty of 36.6 percent.

Mr. Chairman, if our Government officially refuses to recognize the obvious facts of this situation, then we officially countenance an unfair trade practice which is in direct defiance of all the efforts of the International Monetary Fund to achieve integrity in currencies in the interest of liberalized trade.

If the formula adopted by the Treasury is permitted to stand, then not only is the countervailing duty statute rendered meaningless, but the circumvention of the intention of the Congress as expressed in the Tariff Act is both condoned and assisted.

Senator PASTORE. Mr. Chairman, may I be permitted to ask one question?

Mr. Darman, tell us this: If this countervailing duty is removed in a practical way, what happens to the American wool-top industry? Can you tell us in simple language what the effect of this would be to us?

Mr. DARMAN. Senator Pastore, I think the effect would be substantially as follows:

At the outset industry would be forced seriously to consider the purchase of these tops on the basis of price alone. I do not think that they could avoid this over an extended period of time. The repercussions would "repercuss" in several directions. In the first instance, our combing plants would have to shut down.

In the second instance, the domestic grower would find no market for his wool, because for every pound of Uruguayan wool top which is brought in, 3 pounds of domestic grease wool would be replaced. Ultimately, it would be my hope, and I am an optimist by nature, that if this action were to be taken, that the Congress would correct the situation before the entire industry were liquidated. But if this action were allowed to stand on the books for an indefinite period of time, I think that this would be merely the opening wedge to the death of the whole American woolen textile industry, because today

it would be wool top, tomorrow it would be yarn, and under your formula, sir, and you are quite correct in that assumption, next month it could be cloth and next year it could be a totally unrelated article in textiles, and the Treasury apparently is either unwilling or unable at this moment to act.

Does that answer your question?

Senator ANDERSON. May I interrupt there to say that I think that is a very interesting and I think a very accurate statement of the situation. As you may know, I have been interested for a long time in the Wool Act. In 1946 when I was in another capacity, I sent a very similar proposal on the Wool Act to the Congress. I cannot establish this fact yet, but I understand that this Uruguayan wool-top situation may add to the funds that are needed to carry out the Wool Act by as much as \$20 million in the next year. If you keep adding those things onto the Wool Act, pretty soon you might have an economy-minded Congress that might wipe out the Wool Act, and then what you have pictured as happening to the wool industry in the United States might quickly take place.

I think it is a very interesting statement to which every Member of the Congress needs to pay attention. I appreciate your being here to give us that expert opinion.

Mr. DARMAN. In closing, Mr. Chairman, we would like to submit our own position in fairness to the same three tests by which we measured that of the Treasury.

First, we believe that our position stands the test of logic.

Second, we believe that our position stands the test of the law, and finally, we know that our formula stands the test of commercial reality.

If this committee in its judgment considers our position valid, we look to you to take such action as you deem appropriate to defer the Treasury's removal of the existing countervailing duty on Uruguayan wool top and to assure administration of section 303 of the Tariff Act in full accord with the intent of the Congress.

Thank you very much, sir.

Senator ANDERSON. Thank you.

Now may I just say that we all have obligations. I regret very much that this afternoon the Joint Committee on Atomic Energy starts a very important hearing at 2 o'clock.

Senator Hartke has agreed to come back at 2:30, and Mr. Josendal, if you can be back at 2:30, we would want to hear your testimony. I certainly want the testimony of the president of the National Wool Growers Association because in looking at the legislative history of the 1930 act I noticed how important his testimony was at that time. Therefore, the hearing will now recess until 2:30 and we hope to have a number of the Members of the Senate here for that questioning.

Thank you very much for your testimony.

(Whereupon, at 12:30 p.m., the committee was recessed to reconvene at 2:50 p.m., the same day.)

AFTERNOON SESSION

Senator HARTKE (presiding). We will come to order at this time. The committee will resume its hearing.

Mr. Darman, I was not here and I apologize for being a little bit late. I was detained over in the Capitol but as I understand it, Mr. Darman was testifying.

Had you finished your testimony?

Mr. DARMAN. I had finished my testimony, Mr. Chairman.

Senator HARTKE. You had finished it?

Mr. DARMAN. Yes, I had, unless the Chair wishes to call me back.

Senator HARTKE. Would you care to resume the stand? I have just a couple of questions I would like to ask you.

In regard to the situation, do you have any information that you can give the committee as to whether or not there is any indication that State Department policy has in any way affected the decision which has been made by the Treasury Department at this time?

STATEMENT OF MORTON E. DARMAN, PRESIDENT, THE TOP CO., BOSTON, MASS., ACCOMPANIED BY HAROLD JOSENDAL, PRESIDENT, NATIONAL WOOL GROWERS ASSOCIATION—Resumed

Mr. DARMAN. Mr. Chairman, I would have to state that officially I know of no such indication. The only information I have heard was the Treasury's testimony this morning.

Senator HARTKE. Senator Cotton, do you have any questions?

Senator COTTON. No questions, thank you, Mr. Chairman.

Senator HARTKE. I have no further questions at this time. I want to thank you for giving of your time. I did look at your material this morning. Thank you for coming before the committee.

Mr. DARMAN. Thank you very much, Mr. Chairman.

Senator HARTKE. Mr. Josendal, we are glad to have you before us this afternoon, sir. Will you please state your name and what your position is and in what capacity and who you are representing and do you have anybody else assisting you at all?

STATEMENT OF HAROLD JOSENDAL, PRESIDENT, NATIONAL WOOL GROWERS ASSOCIATION

Mr. JOSENDAL. No, sir, I do not.

Mr. Chairman and members of the committee, my name is Harold Josendal, a sheep rancher from Casper, Wyo., and I am president of the National Wool Growers Association. I have also been asked to represent the National Wool Marketing Corp., which is the largest grower cooperative of wool in the United States, having membership in 22 States.

The case this morning we felt was very well brought out in the questioning by yourself, Mr. Chairman, and the other members of the committee, and the answers of the Treasury and Mr. Darman's statement, so I feel that anything more on that might be superfluous, so I do not wish to take the time of the committee discussing too much more on the real crux of the thing, which is, of course, the essential difference in the method of figuring the countervailing duty as between the Treasury thinking and our thinking, which was outlined by Mr. Darman. I will simply mention something of the condition of the wool industry today.

Today we are at a point where we have the lowest wool market on grease wool that we have seen for 17 years. The average last year was only 36.7 for the first 10 months of the marketing year, as against 53.7 for the previous year.

As you can see, that is a considerable drop. Our lamb market has suffered a great deal in the past 2 months, and one of the major reasons for that drop is the fact that the wool on that lamb has suffered such a drop. We think that any increase in the imports of wool top would be most harmful to our industry.

Senator O'Mahoney asked the question this morning and pointed out in his interrogation that reports had reached him that offers had been made by the Uruguayan top exporters already, as soon as this announcement was made by the Treasury, that there were substantial amounts of wool top ready to be imported into the United States at a figure that would be considerably lower than the existing market today.

We feel that this would be very detrimental, that it would make a considerable drop in our market, and as far as our raw wool from the United States, it would almost eliminate that market for a period.

The only customers we have are the domestic top makers and the domestic manufacturers, the top makers, of course, being our largest customers.

We just cannot see them eliminated, or their business removed by imports. We cannot help remembering the situation that prevailed in 1951 and 1952 and the early part of 1953 before the first countervailing duty was imposed. The imports of wool top were rapidly increasing at that time and reaching a high of some 17 million pounds per year from Uruguay, and it had a very direct bearing on our product.

At that time we had a different support program, where the Commodity Credit Corporation under a loan and purchase program was taking all domestic wool, and they got all of it, because these imports were removing our normal domestic market.

We are thankful today we do have a floor under wool for the domestic grower by the National Wool Act, but we do not like to do it by subsidy. We would much rather see a real competitive market without unfair competition from abroad, in which we had a market that was a true market based on supply and demand.

We want a healthy market and we would like to see it so high that we do not need a subsidy. We certainly do not like to see any unfair imports of top.

I mentioned the situation that the top makers are our only customer. For the past several years we have seen a great reduction in the number of mills that are both manufacturing and combing tops, and it certainly has reduced competition for our product and the available market for us.

We would hate to see anything further happen that might reduce further the competition in buying for our product. The Senate Committee on Foreign and Interstate Commerce very recently issued a report taking cognizance of this situation in the wool textile industry, and one of their major recommendations was that there should be a quota imposed on the imports of textiles. We fully agree with this position and while we recognize that today this committee is con-

cerned principally with the fair application of the law and the regulations as intended by Congress, we also feel that you probably are also interested in the course of future legislation. We would certainly like to direct your attention to that report and hope that you may be able to take some action on the recommendations made in it.

I think that the case was well put this morning. There is a very distinct difference. We cannot help feeling that a very simple and logical solution is that grease wool imports should be compared with top imports, that there is a distinct bounty given, the bounty being that difference between 4.10 for the top and 3.456 for the raw wool from Uruguay and, that that is a distinct difference of 19 percent and that by simple arithmetic the Treasury should recognize that.

We certainly want to reiterate that point, that we feel it is the logical solution. In fact, we feel that not only should the present countervailing duty of 6 percent be maintained, but it probably should even be increased to a more realistic basis in face of the facts and the exact difference of 19 percent that does exist. We want to thank the committee for the interest they have given in this, and we certainly hope that a satisfactory solution can be attained.

Thank you.

Senator HARTKE. Has the Treasury Department actually removed the countervailing duty at the present time?

Mr. JOSENDAL. No, Senator, they have not. They made the announcement the last week of January that they expected to lift that countervailing duty as of the 5th of February. Through the efforts of members of this committee, this hearing was called today and the Treasury persuaded to postpone that decision until after this hearing, at which time they will, we understand, reconsider the matter; at least we hope they will.

Senator HARTKE. Do you have a definite proposal that you want the Treasury Department to consider?

Mr. JOSENDAL. Only the proposal that we think rather than being on the weighted import-export basis as the Treasury is now doing it, that it should be a more direct basis, that is, the relation between wool top and grease wool, which are two comparable fabrics or two comparable products, and by which comparison there very obviously is an export bounty being granted to the Uruguayan top manufacturer.

Senator HARTKE. In regard to this Treasury formula that was established, do you feel that it is not fair? Is that it?

Mr. JOSENDAL. Yes; that is correct, sir.

Senator HARTKE. Did you feel in the past that it was not fair?

Mr. JOSENDAL. Yes; we have never completely agreed to it. We were thankful that as a result of it we have had a countervailing duty. It has succeeded in greatly reducing the amount of top import from Uruguay, but we have never felt that it was the proper basis for determining the bounty.

Senator HARTKE. As I understand the history of this, it was first established when?

Mr. JOSENDAL. In 1953, sir.

Senator HARTKE. And was that after the time that this large amount of wool had been imported? Is that right?

Mr. JOSENDAL. Yes; that is correct.

Senator HARTKE. Was the formula used at any time during the period when a large amount of imports was coming into the United States?

Mr. JOSENDAL. No; that formula was not used. I think Mr. Flues mentioned this morning that there had been no countervailing duty on wool top and no formula developed at all until 1953 when, at the request of the wool industry, that was established and the countervailing duty first imposed.

Senator HARTKE. Do you feel that at the present time under this exchange rate, there is in fact either a direct or indirect subsidy being granted to the wool people of Uruguay?

Mr. JOSENDAL. There is no question in my mind that there is a direct subsidy being granted to them; that is, to the top manufacturer. Let's make that clear: to the top manufacturer of Uruguay.

Senator HARTKE. Of Uruguay?

Mr. JOSENDAL. Yes.

Senator HARTKE. And do you have any estimates as to either the percentage or the amount of subsidy that is presently being given to them?

Mr. JOSENDAL. I think the figures given this morning speak for themselves in that the difference, if we compare only the two products of grease wool, raw wool, that is, and the wool top, is the difference between 4.1025 and 3.456, which is in effect 19 percent.

Senator HARTKE. Assuming for the moment that the Treasury Department feels that they cannot accept the wool industry's proposal as to this type of comparison, do you feel there is any other basis upon which the Treasury and the wool industry here in the United States could find common ground?

In other words, do you feel that there is any area in which the Treasury Department could retreat from their present position and still accomplish what the wool industry is interested in?

Mr. JOSENDAL. Well, of course, Mr. Chairman, there is always room for compromise in anything, and I do not know that I could suggest a better formula today except that it certainly doesn't seem logical to me, when we are considering the exports from Uruguay, that the imports should also be included in determining their formula. Certainly the exports should be on a comparable basis, without considering the value of the peso on an import basis, because after all, those import licenses and excises, as we understand them, are set up to discourage inflation in Uruguay and to discourage the importation of, say, de luxe Chris-Craft inboards and Cadillac cars, and things like that.

Senator HARTKE. When did you first receive notice of the intention to change and to completely remove the countervailing rate?

Mr. JOSENDAL. I think it was on January 29 of 1959, sir.

Senator HARTKE. And how did you receive that information?

Mr. JOSENDAL. We received it as an announcement at the National Wool Growers convention, which came from some of our friends here in Washington, who advised us that the Treasury Department had just announced that they intended to remove this countervailing duty effective February 5.

Senator HARTKE. Has the Treasury Department at any time offered to discuss this matter with any members of the wool industry prior to the time the announcement was made?

Mr. JOSENDAL. Not to my knowledge.

Senator HARTKE. Have they offered to discuss it since, or has it been discussed with any members of the Treasury Department since the announcement?

Mr. JOSENDAL. No; it has not. In fact, knowing that this hearing was coming up, we felt that this would be a more proper time to discuss it with this committee.

Senator HARTKE. Do you have any particular suggestions with reference to the law as it is presently set up, any particular suggestions as to the method, if the law should be changed?

Mr. JOSENDAL. It would be my thinking that the law is very clear. It certainly very definitely states that anytime proof is shown that there is a bounty, that the Treasury must act. In this case of multiple exchange rates the Treasury pointed out this morning it is a new development since that law was written, but it certainly seems to me that without any change in the law, that it is perfectly possible for the Treasury to interpret that on a reasonable basis.

Senator HARTKE. Now, the Treasury Department has seemed to interpret the law, though, in a manner which you seem to think is wrong; is that right?

Mr. JOSENDAL. That is correct.

Senator HARTKE. In view of that situation, do you feel that there is any necessity for a more explicit statement of the law to more clearly contain itself to what you believe it should, or do you think that the law itself is sufficient in its present status in order that the Treasury Department can change its way of thinking?

Mr. JOSENDAL. Well, Mr. Chairman, I think you pointed out yourself this morning that any exporting country that dealt on a multiple exchange basis could in collusion with another country that was an enemy of ours, or certainly one that was trying to deflate us economically, or inflate us economically, they might well play with these exchange rates every Monday, I think, as you pointed out, and we would be in a very bad situation.

I doubt if Congress could—maybe you could, maybe it is possible, but I cannot think at the moment of a solution that Congress could write definitely into the law that would take care of such a situation where the exchange rates were changing very rapidly.

Senator HARTKE. Of course, you understand that the authority of the Congress is purely to legislate.

Mr. JOSENDAL. I realize that.

Senator HARTKE. And that the administration of this legislation is not within the capacity not only of this committee, but of the Congress itself. You are familiar with that?

Mr. JOSENDAL. Yes, of course.

Senator HARTKE. Therefore, any assistance here can only be given as a matter of information for the benefit of the Treasury Department in the hopes that they might reconsider their position in that regard.

Mr. JOSENDAL. Yes.

We appreciate this committee's taking interest in this, in seeing that the law is administered according to the intent of Congress.

Senator HARTKE. To your knowledge, is the Government of Uruguay itself dealing in wool or is it all being done by private people, private business?

Mr. JOSENDAL. As I understand it, private business actually handles the wool itself. However, the Government, through this multiple exchange rate, sets up controls so definite that, in effect, the Government does control all their exports and imports.

Senator HARTKE. What I am interested in knowing here is whether or not there is a cartel arrangement or any type of combination or combine which is attempting to inject itself into the international wool market, or whether this is purely a private enterprise proposition.

Mr. JOSENDAL. I wonder, Senator, if I might ask Mr. Darman, who was on the stand this morning, who is very familiar with this, and dealing on an every-day basis in the wool market, to answer that question, because he is very intimately familiar with that.

Senator HARTKE. You certainly may.

Please identify yourself, Mr. Darman, for the record.

Mr. DARMAN. Morton E. Darman, president of The Top Co. I testified earlier in the hearing.

Mr. Chairman, in answer to your last question, I would describe the situation in Uruguay substantially as follows:

Private enterprise is the pattern which is followed in moving both the Uruguayan wool clip and the product of Uruguayan combing plants. However, Mr. Josendal's point is well taken in that the Government of Uruguay completely controls all imports and all exports, including wool and wool top, by license, and, under these circumstances, I can speak from personal experience where our company and a Uruguayan producer of wool have in the past been in agreement as to the fairness of a price, and the Uruguayan wool firm has been unable to get a license to export the wool to the United States.

It is a difficult question you pose, to say that this is free enterprise as we understand it. We certainly would not consider it such if we were restricted with import licenses, constantly changing exchange rates, and a system which perhaps can best be described as one which is one more of man than of laws.

Senator HARTKE. Do you feel, though, that there is any indication that this is concerted effort by the Government to move their wool into our market, or whether it is just an attempt by them to market some of their materials into the United States in the normal exchange among world powers?

Mr. DARMAN. I think that the answer to that question might be found in the fact that the arrangement in Uruguay today does not obtain only insofar as the United States is concerned.

Their exchange rates are related to the dollar as we understand it and then translated into the pound sterling or any other currency which is not soft, as is theirs, in terms of the relationship of that currency to the dollar.

Now, the Uruguayans have been endeavoring, through their subsidy, to move wool top uneconomically produced in Uruguay into the wool-consuming areas of the world.

This has been resisted in this country through the imposition of the countervailing duty which we have been discussing today. It has been resisted as effectively and more effectively in other countries where import and export licenses prevail.

There is no necessity for imposing a countervailing duty in some countries if one requires the obtaining of a license before the Uruguayan top can come in.

Senator HATKE. We have been led to believe that Uruguay is in the overall area of production a relatively small country. Can you tell us just so we will have a little bit of an idea how they relate to the overall market as far as wool is concerned, whether it is a significant amount, maybe an average amount, or an insignificant amount.

Mr. DARMAN. Yes; I can answer that question, Mr. Chairman.

The population of Uruguay is 2,650,000 people, as we have obtained the figures from the published record of last year.

The wool clip of Uruguay on a clean basis is roughly equivalent to that of the United States. It is our position that raw wool or greasy wool, as we have referred to it here, is a national product of export for Uruguay. We say this because the Uruguayans obviously produce it and do not have the means of consuming it.

It was suggested earlier today by the Treasury that, well, what would happen if the Uruguayans exported no wool and exported only top? The formula suggested by the wool trade would thereby go by default. This point was made by Mr. Flues.

I think that this point overlooks the commercial realities of the situation.

The Uruguayan wool combing industry has not the capacity to process all the wool which Uruguay produces, and so it can be assumed that Uruguay would continue under any circumstances either to be an exporter of greasy wool or be forced further to develop her combing industry.

In looking around the world, Uruguay is possibly the highest cost comber of wool top in the world, not excluding the United States. The low-cost areas of the world can be found in Japan, in Italy, in Western Germany, in France, in England, and these old established producers of wool top have not invaded the American market under the Tariff Act as it currently exists.

Logic seems to dictate to us that the only way the Uruguayans can do this with their high cost of production is through the means of a grant of bounty. We think that is self-evident.

Senator HARTKE. Let me ask you again, though, I understood you to say that the wool clip is equal to the United States.

Mr. DARMAN. On a clean basis, sir.

Senator COTTON. Could I ask a question right there?

Senator HARTKE. Yes, Senator.

Senator COTTON. Before you leave this point I want to get one thing clear in my mind. You have quite logically answered testimony, this morning's testimony, about the improbability of the situation arising as regards Uruguay in which there would be no exporting of the raw wool to this country, and as far as Uruguay is concerned, your answer may be complete with respect to the proposed formula of the wool trade.

But you have just mentioned other countries that presumably produce raw wool and wool tops.

Is there any more likelihood of weighing the formula of the Treasury Department? Is there the likelihood that in some other country you may have a situation with no exportation of raw wool and only wool top?

Mr. DARMAN. I would state this, sir: In the first instance the countries I mentioned almost without exception produce a minimum

amount of wool and, as far as the United States is concerned, they export a minimum amount of top. We have statistics which will show that Uruguay has delivered into the United States market wool top all out of proportion to the total importations of wool top to the United States.

If I might take a moment, I will get those figures for you.

Senator CORRON. Before you get to that, I perhaps did not make my point clear. Today we are considering Uruguay.

Mr. DARMAN. Yes, sir.

Senator CORRON. And you have definitely indicated that the objection raised by the Treasury Department to your proposed formula, and their reason for defending theirs, you have answered by indicating that the situation is incredible at least very unlikely, that you would ever have a situation where no raw wool was being exported by Uruguay.

Mr. DARMAN. That is right, sir.

Senator CORRON. But before you discount the Treasury's formula—and I am asking this purely for information—you have got to take into consideration these countries that you have just indicated have a minimum production of raw wool but do produce wool tops; haven't you?

Mr. DARMAN. Yes, sir.

Senator CORRON. That situation could happen there.

Mr. DARMAN. I think that situation could happen, but I think you have to judge those countries on the record, and as against that, Senator, I think you have to weigh the alternative of encouraging a complicated multiple exchange rate.

If the Treasury's formula obtains, it puts a distinct premium on anyone anywhere in the world developing a more complicated multiple exchange rate, and the more complicated the better. And if that formula is allowed to stand, it can open the door from countries which up to now have been guided by the principles of fair international trade.

As Mr. Josendal indicated, neither he nor anyone in our industry is standing before you or sitting before you today recommending that you do something to negate fair competition. But what we certainly do not want to encourage is unfair competition.

Senator CORRON. Thank you. Excuse me for interrupting.

Senator HARTKE. Let me ask you about another matter here. Do you think it is feasible for Congress to set up a formula as contrasted to the Treasury Department setting up its formula as to the method, or do you feel that it would be better for Congress to leave this field to the administrative setup, in view of the complicated factors that would be involved and the large number of items which ultimately might be involved?

Mr. DARMAN. Mr. Chairman, I think the question of the intent of the Congress is a matter which only the Congress itself can decide, and having decided its intent, it would seem to me that it could then well interpret or determine whether or not the executive department in question was carrying out the intent of the Congress. If the intent of the Congress was not being carried out, then I think this committee or the Congress in the appropriate committee should take action to see that its intent is made crystal clear.

Our feeling has consistently been that the legislation which the Congress has provided is clear to us. It seems clear in terms of every legal case that is on the record books, and it has only been complicated as we see it, by the Treasury's interpretation.

Senator HARRKE. As I understand your position, then, what you are really asking is a reconsideration by the Treasury Department in the light of the facts which were presented here at this hearing; is that right?

Mr. DARMAN. Yes, sir; that is correct.

Senator CORRON. And on that line, doubtless your attitude is affected by the fact that in most instances in the past when Congress has striven to frame legislation to dictate a certain course of administration downtown, that it is such a difficult problem that it is fraught with almost more dangers than the good that can come out of it.

Would you agree with that?

Mr. DARMAN. I think I would agree with that, sir.

Senator HARRKE. I thank both of you gentlemen for coming. If you have anything further to add we will be glad to hear it.

Senator CORRON. I would like to express to Mr. Josendal my gratification as a member of the special committee that made the textile report. He has apparently read it and found something worthwhile in it. I appreciate his comments.

Mr. JOSENDAL. Thank you, Senator.

Senator HARRKE. Thank you both for coming.

Mr. DARMAN. On behalf of the industry we do want to thank the committee for your time and your attention.

Senator HARRKE. Is there anyone else who cares to be heard at this time by the committee?

At this time for the record, I will insert the statement of Congressman Keith Thomson of Wyoming dated February 17, 1959.

Without objection, it will be inserted in the record and made a part thereof.

Hearing no objection, it is so ordered.

(The statement referred to is as follows:)

STATEMENT OF CONGRESSMAN KEITH THOMSON OF WYOMING

Mr. Chairman and members of the committee, since your committee is so well versed in the situation that has plagued the wool industry, particularly since World War II, it is not necessary for me to review its history or the history of the Wool Act. Right now the industry is faced with a crisis developed from the alarming and increasing importation of frozen carcass lamb. Feeders are faced with losses of from 3 to 4 cents per pound on lambs now in feed lots. The effect on the market for the producer is self-evident. Now, of all times, is not the time to hit another blow at this industry, which has been struggling for its very existence.

No new law is necessary. I was delighted at the decision of the Senate Finance Committee to hold hearings. As best I can determine, the Treasury Department, backed and urged by the State Department, proposes to remove the countervailing duty on wool tops from Uruguay by means of some involved formula which they refuse to set forth in detail and for which there is no authority under the law.

Section 1303, title 19, United States Code, is clear in its provisions that when a country pays a bounty upon manufacture or production or export of any article or merchandise manufactured or produced in such country, and such article or merchandise is dutiable, then there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed.

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There is no authority under the law for any fancy averaging formula. This is a flagrant disregard of the law. Unless the Congress stops such attempts, we have no one to blame but ourselves.

I repeat that I am delighted with the action of your committee in calling hearings: I sincerely hope that my delight will not turn to disappointment as you determine the action to be taken. Congress has provided this protection for American industry from further unfair competition. This industry solely needs that protection. The Executive should not be permitted to flaunt the law and the Congress. I hope and trust that your committee will take appropriate action.

Senator HARTKE. Yes; I want to thank you all for your time. We appreciate your coming and if we can be of any further service to you that is our business here.

I have here a letter to the chairman of the committee from the Honorable Philip J. Philbin, of Massachusetts, with accompanying telegrams. They will be included in the record.

(The letter and telegrams are as follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., February 9, 1959.

Senator HARRY FLOYD BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

My DEAR SENATOR: I am requesting, and will deeply appreciate, your unanimous consent to insert in the record of your hearings certain telegrams which I have received opposing the removal of the countervailing duty on wool tops from Uruguay by the U.S. Treasury Department and also this letter.

It is clear to me from my knowledge of the situation that the removal of this countervailing duty as proposed would have further unfavorable impact on the wool industry and the employment of very many longtime faithful workers in this industry and its related industries.

It is my strong feeling that your committee would certainly oppose any measure which you believed on all the evidence might bring depressed conditions, unemployment and stagnation to any of our American industries.

I am sure that you will give this matter your very careful consideration. In strongly protesting the proposed action by the Department, I respectfully urge that you take appropriate steps to check the proposed removal of the countervailing duty to which I have above referred.

Let me assure you of my appreciation for the opportunity of presenting my views.

With thanks and usual good wishes,
Sincerely yours,

PHILIP J. PHILBIN.

BARRE, MASS., February 3, 1959.

Representative PHILIP J. PHILBIN,
House of Representatives,
Washington, D.C.:

Urge you support the movement for hearing by the Senate Finance Committee confirming Treasury Department announce intentions to remove countervailing duty on subsidized wool top from Uruguay. Also urge you request step be taken to postpone Treasury action until hearing can be held. This matter of vital interest to all domestic growers and all woolen and worsted manufacturers.

BARRE WOOL COMBING Co.,
LEVON YACUBIAN,
General Manager.

WORCESTER, MASS., *January 29, 1959.*

Congressman PHILIP J. PHILBIN,
Washington, D.C.:

The textile Workers Union of America urges you to strongly oppose the contemplated removal of countervailing duty on wool top from Uruguay by the Treasury Department. Such removal would create disaster to the wool top manufacturing industry and means the elimination of hundreds of jobs.

FELIX P. DAMORE,
Textile Workers Union of America.

NORTH CHELMSFORD, MASS., *February 4, 1959.*

PHILIP J. PHILBIN,
House Office Building, Washington, D.C.:

To Massachusetts Senators and Congressmen. Please urge Senate Finance Committee hearing on Treasury's proposed action in removing countervailing duties on Uruguayan wool top coming into the United States. This hearing would be of great importance to Massachusetts wool combers and therefore hope that you will take steps to postpone Treasury action until hearing held.

JAMES J. GAFFNEY, Jr.,
Southwell Wool Combing Co.

Senator HARTKE. The meeting is adjourned.
(Whereupon, at 3:20 p.m., the committee was adjourned.)

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