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The Trade Reform Act of 1973

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*



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(II)

FOREWORD

This summary of the statements of public witnesses, including those who submitted materials for the record but did not make oral presentations, represents an attempt to summarize as succinctly as possible each witness' statement, recognizing that no summary can do full justice to the original statement. The material is presented as a summary of each witness' position compiled by topic. Emphasis is placed on each individual or group's views and recommendations relating to specific sections of the bill.

The views and recommendations are summarized by eight broad topic areas, the first six of which generally correspond to the titles of the House-passed bill, as follows:

- I. Negotiating and Other Authority
 - A. Trade Agreement Authority
 - B. Nontariff Barriers to Trade
 - C. GATT Reform
 - D. Balance of Payments Authority
 - E. Anti-inflation Authority
 - F. Other Authority Under Title I
 - G. Prenegotiation Procedures
 - H. Office of the Special Representative for Trade Negotiations
 - I. Congressional Veto and Liaison
- II. Relief From Injury Caused by Import Competition
 - A. Import Relief
 - B. Adjustment Assistance
- III. Relief From Unfair Trade Practices
 - A. Foreign Trade Practices
 - B. Antidumping and Countervailing Duties
 - C. Unfair Import Practices
- IV. Trade Relations With Countries Not Enjoying Nondiscriminatory (MFN) Treatment
- V. Generalized System of Preferences
- VI. International Drug Control and Miscellaneous Provisions and Suggestions
- VII. Access to Supplies of Raw Materials
- VIII. Taxation and Investment

Views and recommendations under each topic are grouped according to source, as follows:

- Government officials
- Members of Congress
- Witnesses with specific product interest
- General witnesses

In the preparation of this document and the data included in it, the committee requested and was given by the U.S. Tariff Commission the full cooperation and assistance of its staff.

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I. Negotiating and Other Authority

A. TRADE AGREEMENT AUTHORITY

Government Officials

Hon. George P. Shultz, Secretary of the Treasury

Secretary Shultz asserted that the authorities in the TRA of 1973 are necessary to insure meaningful trade negotiations. He stated that during a time of rapid inflation and of short supplies the need to reduce artificial barriers, tariffs, quotas, embargoes, etc., becomes more important than ever. Secretary Shultz noted that the bill is designed with such considerations in mind and would provide the authority to change customs duties up or down in the context of negotiated agreements.

Hon. Peter M. Flanigan, Council on International Economic Policy

Mr. Flanigan asserted that the movement toward a more equitable and open trading world is dependent on prompt enactment of the TRA of 1973.

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle remarked that agreements will be sought which will stimulate U.S. economic growth in the context of strengthening our global economic relations through fair and equitable market opportunities and more open and nondiscriminatory world trade.

Hon. Earle L. Butz, Secretary of Agriculture

Secretary Butz noted that U.S. agriculture, U.S. industry, and U.S. consumers all have a big stake in negotiating a more rational trading world. The United States needs to go into these negotiations with the strong hand that the TRA will provide.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent stressed that the enactment of the TRA of 1973 is necessary to give credibility and authority to our negotiators. The authority provided to change duties, though less than requested, does provide sufficient negotiating authority to achieve a substantial reduction in tariff levels worldwide and to work toward greater market access for U.S. exports.

Hon. Henry A. Kissinger, Secretary of State

Secretary Kissinger stated that trade negotiations cannot be conducted seriously until the United States has authority to negotiate on the substantive issues. The actual and potential trade disturbances of the energy situation are urgent, and the authority contained in the trade bill is needed.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons stated that the TRA grants to our negotiators the strength and flexibility they need to negotiate beneficial trade agreements.

Hon. Vance Hartke (Democrat of Indiana)

Senator Hartke called the President's bill obsolete and dysfunctional. He stated that the proposed Foreign Trade and Investment Act (S. 151) directly addresses the problems of international finance and their effect upon the American economy.

Hon. Charles H. Percy (Republican of Illinois)

Senator Percy stated that the bill before the Committee will, in general, result in promoting world trade and investment.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association stated that the United States should adopt a reciprocal trade stance in both its formal trade policy and in actual trade negotiations with other nations, but it strongly objected to the provisions contained in Section 101(b)(2) giving authority to "wipe out" any duty which is not more than 5 percent ad valorem. The association was primarily concerned about the low duty applicable to fresh, chilled, and frozen beef and veal.

Great Plains Wheat, Inc.

Great Plains Wheat, Inc. asserted that the TRA should provide the authority for the type of negotiations which will be necessary during what may be a crucial period in world trade and trade considerations.

U.S. National Fruit Export Council

The council supported Title I of the TRA and recommended that the authority be used vigorously in behalf of U.S. agricultural exports. The council stated that exports of U.S. fruit and fruit products are impeded by protectionist measures in a number of countries and that the EEC trade restrictions on certain products, which in the view of the council are illegal under the GATT, should be eliminated in the XXIV:6 negotiations currently in progress. The council stated that there is a serious question as to whether the United States should agree to a new round of trade talks unless the XXIV:6 negotiations are satisfactory.

American Iron and Steel Institute

The institute supported the concept of multilateral trade negotiations for the purpose of stimulating trade. However, it did not support the TRA in its present form. The institute stated that the old across-the-board or linear negotiating formula in Title I needs to be re-examined. The negotiating authority in Title I should be amended to require sector negotiations for steel and other essential basic commodities.

Negotiations need to encompass all tariff and non-tariff distortions of trade. The institute noted, for example, that 70 percent of the output

in the steel sector is produced in facilities which are Government owned or controlled.

American Institute for Imported Steel, Inc.

The institute asserted that negotiating authority should be granted to the Executive, subject to adequate supervision by the Congress. However, the trade restrictive portions of the TRA of 1973 should be deleted. Negotiation authority should be more flexible and less sector-by-sector oriented. Import duties on steel should be suspended for the duration of the current shortage. The 15 year phasing requirement of the TRA to reduce tariffs should be reduced to 5 years and the President should not have the authority to raise tariffs above those provided in the Tariff Act of 1930 or to impose duties on free list items.

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations requested that the maximum tariff cuts provided for in Section 101 be limited to 50 percent, rather than the 60 percent to 75 percent provided in the House bill, and also that tariffs now over 25 percent ad valorem not be reduced below 15 percent.

National Machine Tool Builders' Association

The association recommended that the President be empowered to negotiate reductions in tariff rates.

American Paper Institute

The institute supported the granting of new negotiating authority to the President.

American Chain Association

ACA opposed quotas or legislative tariff increases but supported the grant of Presidential authority to negotiate new and reciprocal tariff concessions.

3M Company

Mr. Harry Heltzer, chairman of the board of 3M Company, urged passage of the TRA in order to maintain the momentum of our liberal trade policy. He supported the negotiations and the authorities of Title I.

Electronic Industries Association

The association urged that Title I of TRA of 1973 be clarified to insure that specific attention be given in the forthcoming international negotiations to the negotiation of effective agreements that "reduce, eliminate or harmonize" the proliferating practices of all trading nations aimed at providing export aids and incentives.

Aerospace Industries Association of America, Inc.

The association recommended the suspension or the reduction of aircraft duties to zero in the coming negotiations. The United States should also seek the elimination of duties applicable to U.S. exports aircraft.

International Marine Expositions, Inc.

The corporation supported the concept of a 5-year delegation of authority from the Congress to the President to enter into trade agreements with foreign countries.

American Dinnerware Emergency Committee

The committee recommended that the old "peril point" provision in effect prior to the TRA should again be reconsidered in an attempt to broaden the scope of the advice of the Tariff Commission with regard to coming negotiations.

Stone, Glass and Clay Coordinating Committee

The committee stated that large tariff cuts proposed by the House passed TRA. of 100%, 75% and 60%, will cause undue harm to many U.S. industries.

Rubber Manufacturers Association

The association supported the extension of negotiating authority because otherwise foreign nations will act unilaterally in responding to serious new issues in trade.

U.S. Committee of Wire Rope Producers

The committee agreed that some type of authority is needed to move forward in trade discussions; however, the committee did not favor granting the President authority to unilaterally reduce any duty below the 5 percent level, especially in the case of an injured industry.

American Footwear Industries Association

The association did not support the extension of negotiating authority; rather, it suggested that industries which suffer from substantial import penetration should be exempt from the negotiations to further cut tariffs.

Tanners' Council of America, Inc.

The council stated that the TRA of 1973 a paradox, in that it does not come to grips with fundamental trade changes such as, for example, the spread of controlled or semi-controlled economies. The main concern of any trade bill should be to secure a reciprocity, or equality in the terms of trade among countries.

Builders Hardware Manufacturers Association

The association suggested that language similar to that contained in Section 102(c) be included in Section 101 which would require negotiation to be conducted "on the basis of each product sector of manufacturing".

American Imported Automobile Dealers Association

The association endorsed the provision of the trade bill that delegates authority to the President to reduce tariffs but recommended that the President be permitted to increase tariffs to no more than 100 percent of present duty levels, or ten percent ad valorem on nondutiable items.

Imported Car Committee of the National Automobile Dealers Association

The association urged the Committee to retain the limitations on the President's authority to increase or decrease the rates of duty as developed by the House Ways and Means Committee in H.R. 10710.

California-Arizona Citrus League and Sunkist Growers, Inc.

The league supported Titles I through III of the TRA, but stated that the TRA should not be passed until the United States receives satisfactory compensation (now being negotiated with the EEC under GATT article XXIV:6) for tariff changes resulting from the enlargement of the Community. The league further recommended that U.S. MFN treatment be extended only to those countries which do not discriminate against U.S. exports, and, in addition, MFN be extended only in the context of a trade agreement. The United States now generalizes MFN treatment to all free world countries whether or not such countries are parties to the GATT or bilateral trade agreements to which the United States is also a party.

Western Electronic Manufacturers Association

The association supported the TRA as providing the necessary legislative authority to permit meaningful negotiations of tariff and non-tariff barriers and further approved the careful limitations of Presidential authority.

Computer and Business Equipment Manufacturers Association

The association strongly urged that U.S. negotiators have the power to establish and maintain freer and fairer rules of international trade.

Wine Institute

The institute requested that the TRA of 1973 be amended to provide that there be no further reduction in United States wine tariffs at the GATT negotiations. The United States should strenuously support placing the eliminations of tariff and non-tariff barriers against U.S.-produced wine high on the agenda.

Machinery and Allied Products Institute

The institute supported the granting of broad powers to the President to negotiate terms of trade in both tariff and nontariff areas and also supported the anti-inflation and balance of payments authority granted to the President in TRA of 1973.

Mr. James G. Afflect, American Cyanamid Company

The company agreed that the President should be given broad discretionary powers to negotiate trade arrangements, but should do so within the criteria established by Congress.

Florida Fruit and Vegetable Association

The association suggested that the TRA of 1973 would strip Congress of its clear constitutional function and give the President dictatorial powers over trade regulations. Congress should retain more than a veto role as now provided in the legislation.

National Grain and Feed Association

The association stated that advance authority to reduce tariffs is the key to the negotiations.

Antifriction Bearing Manufacturers Association, Inc.

The association advocated the exemption of products which have received affirmative findings of injury by the Tariff Commission from further duty reductions pursuant to trade agreement.

Copper and Brass Fabricators Council, Inc.

The council asserted that negotiation of mutual tariff reductions can only be "mutual" if made within a framework of industries that are related. It is hardly mutual for reductions in tariffs on industrial products to be offset by reductions in consumer products.

Scientific Apparatus Makers Association

The association supported the extension of negotiating authority, but favored meaningful industry-government consultation during the negotiations.

Slide Fastener Association

The association contended that slide fasteners should not be subject to any further reductions in duty and that textiles and apparel also should be exempted from mutual reciprocal tariff reductions under TRA of 1973. Trade in these products can be regulated for the benefit of all through multilateral long-range arrangements.

The Cordage Institute of the United States

The institute asserted that the President must have increased flexibility in trade negotiations, but that appropriate safeguards on Presidential authority should be provided such as statements of Congressional policy and standards, and adequate provision and time for hearings on tariff and nontariff action having substantial adverse effects on domestic industry.

Heavy Duty Truck Manufacturers Association

The association supported reductions in U.S. duties if accompanied by reductions in foreign rates of duty, especially the rates of duty imposed by the large trading blocs such as the European Common Market and The Latin American Free Trade Association (LAFITA).

National Association of Scissors and Shears Manufacturers

The association opposed giving the President unlimited authority and urged that specific detailed guidelines for trade agreement negotiations be included in the bill.

Imported Hardwood Products Association, Inc.

The association supported providing the President with the authority to reduce or eliminate tariffs.

General Witnesses*National Association of Manufacturers*

The association supported the extension of negotiating authority and recognized the need for a new round of multilateral trade negotiations.

U.S. Chamber of Commerce

The Chamber of Commerce supported the authority of the President to lower existing tariff levels but argued that he not be given an open-end authority to raise tariffs.

U.S. Council-International Chamber of Commerce

The council strongly recommended that the President be given the negotiating authority requested in the TRA.

Emergency Committee for American Trade

The committee found the negotiating authority necessary and properly circumscribed.

United Automobile, Aerospace and Agricultural Implement Workers of America

The UAW opposed the bill in its totality. The union suggested that temporary quotas be imposed on imports of automobiles (excluding those from Canada) until September 30, 1975. The UAW underlined that the proposal was made reluctantly, not in the interest of sheltering the U.S. industry from competition, but to provide a safeguard during the transitional period while the U.S. automobile industry converts to produce smaller cars.

National Council of Farmer Cooperatives

The National Council supported the negotiating authority of the TRA of 1973.

American Federation of Labor and Congress of Industrial Organizations

Mr. George Meany, President of the AFL-CIO, termed the TRA "totally obsolete" and "worse than no bill at all." He contended that U.S. trade policy has been one of granting concessions to other nations without receiving much in return. He called to mind the American trade union's support for the Hull reciprocal trade pacts, but noted that today's situations are considerably different. In Mr. Meany's view, trade should be dictated by our own self-interests. The 1973 trade surplus, he asserted, was the result of large exports of farm goods and critical materials. These exports caused sharp domestic shortages and brought on the rapid acceleration of inflation.

The Nation-Wide Committee on Import-Export Policy

The committee, noting the unsettled state of the international economic system, surmised that now is not a good time for trade legislation. The committee asserted that a far more sophisticated and effective approach to international trade lies in the adoption of flexible import quotas that are administered unilaterally in keeping with guidelines established by legislation.

Committee for a National Trade Policy

The committee suggested that the President should be given authority to negotiate the removal of tariffs, not just to cut the percentages now authorized by the bill.

League of Women Voters of the U.S.

The league supported the negotiating authority requested by the President.

*United Steelworkers of America, AFL-CIO, and the Industrial Union
Department of the AFL-CIO*

Mr. I. W. Abel, president of the union, contended that present foreign trade policy has contributed to import-related job losses and the encouragement given to U.S. industry to invest overseas. In his view, the TRA does not attack the basic causes for the erosion of the U.S. industrial base. Moreover, the changing international trade and financial picture has rendered the proposed legislation obsolete.

International Executives Association, Inc.

The association endorsed the provisions of TRA concerning trade agreement authority.

Italy-America Chamber of Commerce, Inc.

The chamber endorsed the provision of TRA granting the President trade agreement authority.

American Association of Port Authorities

The association urged broader authority—along the lines of the Administration's original proposal (which contained no limits on the amount of tariff increases or decreases)—be conferred to lower tariffs and increase the effectiveness of U.S. negotiators.

New York Chamber of Commerce and Industry

The chamber supported the basic authority for the President to enter into multilateral trade agreements.

Consumer Education Council on World Trade, Inc.

The council stated that giving power to the President to increase, under certain conditions, tariff rates by 50% is potentially dangerous to the welfare of the consumer.

Professor Richard N. Gardner, Columbia University

Professor Gardner asserted that the formula which limits the President's authority to modify duties, be replaced with the zero-tariff authority contained in the original Administration bill.

International Union of Electrical, Radio and Machine Workers; International Brotherhood of Electrical Workers; and the International Association of Machinists

The unions charged that extending Presidential power to remove tariffs would invite a new wave of imports from low wage rate countries and promote the export of jobs to these countries.

National Retail Merchants Association and the American Retail Federation

The associations supported the provisions to authorize the President to negotiate tariff reductions, but expressed concern for the lack of reasonable limits on the authority to increase tariffs.

National Constructors Association

The association supported the provisions granting trade agreement authority.

Mr. Scott C. Whitney

Mr. Whitney contended that Congress should structure the authority to enter into reciprocal agreements on a sector basis (i.e., individual industrial or product categories) in such a fashion that the impact of environmental cost increments and other possible cost variables can be taken into account in determining tariff levels or trading conditions.

Mr. Walter R. Wriston, First National City Bank of New York

The bank indicated the need for passage of the TRA so that our negotiators have the flexibility and authority to enter into a reciprocal agreement with our trading partners.

New York Business Leaders

The group advocated prompt passage of the Trade Reform Act of 1973 because it would continue the traditional liberal foreign trade policies which are the basis for much of our current prosperity and which are essential for our future well-being.

Mr. Paul A. Fabry, International House

Mr. Fabry suggested that there be improved negotiating authority.

Minnesota World Trade Association

The association asserted that it is imperative to provide the President with authority to negotiate with U.S. trading partners.

Communications Workers of America

The union agreed that the President should have authority to enter into trade agreements and to adjust tariffs accordingly.

Port of New Orleans

The Port of New Orleans endorsed the objectives of the TRA and urged favorable consideration of most of its provisions.

United Rubber Cork, Linoleum and Plastic Workers of America

The union contended the TRA grants too much power to the Executive branch.

Orville L. Freeman, Business International

Mr. Freeman strongly supported giving the President the power to negotiate new multilateral agreements on trade, resources, and investment within the context of GATT.

Customs Committee, Los Angeles County Bar Association

The association supported the proposed negotiating authority but suggested that no proclamation shall be made pursuant to Sec. 101 (a) (2) increasing any rate of duty to (on imposing) a rate above the higher of the following: (a) the rate existing on July 1, 1934, or (b) the rate which is 20 percent ad valorem above the rate existing on July 1, 1973.

Foreign Trade Association of Southern California

The association urged that the President's tariff-raising power be limited in any event to a maximum of 50 percent in column 1.

International Economic Policy Association

The association supported the authority to negotiate tariff and non-tariff trade barriers.

Mr. Stanley B. Lubman

Mr. Lubman advocated giving the President authority to negotiate trade agreements with the People's Republic of China on a reciprocal basis.

International Sino-American Trade Association

The association supported the grant of authority to the President to enter into trade agreements modifying duties during a 5-year period.

American Association of University Women, Legislative Program Committee

The committee recommended granting the President authority to reduce tariffs at a more accelerated rate than three percent per annum, when in his judgment, it would further the interest of the United States as well as those of our trading partners.

Trade Relations Council of the United States, Inc.

The council opposed granting the President authority to reduce duties without guidelines to govern the decision. Once tariff cuts authorized by the bill are made, there are no provisions for restoring the tariff to the former level. The bill provides no recognition that the high-wage-high-cost American standard of living makes many manufacturing enterprises especially sensitive to import competition from low-wage, low-cost foreign producers. The conditions which give foreign producers a competitive advantage in the United States market at low tariffs also serve to deny import sensitive United States industries any opportunity to compete in the export market.

B. NONTARIFF BARRIERS TO TRADE**Government Officials***Hon. George P. Shultz, Secretary of the Treasury*

Secretary Shultz pointed out that the TRA provides a Congressional declaration favoring negotiations and agreements on non-tariff barriers, with an optional procedure for obtaining Congressional approval of the agreements where appropriate.

Secretary Shultz noted that in the years ahead, some oil producing countries will have revenues greatly in excess of current expenditures, which will be reflected in current account deficits for the major industrialized countries. U.S. participation in future trade negotiations is needed to help prevent misunderstanding as to the special nature of these deficits.

Hon. Peter M. Flanigan, Council on International Economic Policy

Mr. Flanigan indicated that major attention will be given in multilateral trade negotiations to eliminating and reducing non-tariff trade distorting measures. Given the success of the Kennedy Round in reducing tariffs among the world's major trading nations, non-tariff barriers

have become the major impediment to fair competition and the free flow of goods in international trade.

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle indicated that new techniques of negotiation are needed. One of these ought to be negotiation within key industrial and agricultural sectors, relating, in an integral manner, tariffs, nontariff barriers, government policies, future world supplies and pace of adjustment. But, while the sector approach may be desirable in some cases, there must be flexibility in the choice of sectors. This can best be resolved in consultations between industry, agriculture, and the Congress.

Hon. Earl L. Butz, Secretary of Agriculture

Secretary Butz asserted that we must first attack protectionism at the border. Get rid of those nontariff barriers and let prices do the job they are meant to do—that of signaling both producers and consumers how to bring supply and demand into line.

Secretary Butz indicated that any trade agreement affecting our own agricultural restrictions requiring change in domestic law would have to come back to Congress for review. Here, the burden of proof would be to show that substantial benefits for U.S. agriculture would result from any concessions we offered.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent stated that concerted efforts through multilateral negotiations will be required to reduce or eliminate nontariff barriers to trade. Such barriers are more effective in many ways than tariffs in preventing open and nondiscriminatory trade among nations. Although it should be possible to negotiate and implement some important NTB agreements within the 5-year limit in the bill, past experience tells us that NTB negotiations must realistically be viewed in a longer time frame for maximum results. Since section 102 insures close and continual involvement of the Congress in the negotiation and implementation of NTB agreements, it could be argued that there is no need to place a time limitation on this authority.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons stated that by entering a new round of trade negotiations, we have the opportunity to eliminate or reduce existing barriers to U.S. exports.

Hon. Charles H. Percy (Republican of Illinois)

Senator Percy suggested that the Tariff Commission provide Congress on an annual basis a report estimating the cost to the American consumer of specific tariff and non-tariff barriers by product groups.

Senator Percy stated that Congress should emphasize its continuing belief in the principle of nondiscriminatory trade practices and stated that there is a need to work out among trading nations common international standards for safety, labeling, sizes, etc. so that these provisions do not become non-tariff barriers.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association favored strong action against nontariff barriers of other countries, but opposed the sector negotiation approach of section 102(c). The association also opposed giving the President authority to negotiate U.S. laws and regulations unless Congress moves to repeal or amend them first.

National Milk Producers Federation

The federation urged the inclusion of specific sector areas, dairy products, for example, along commodity lines for agriculture. The federation recommended the inclusion in H.R. 10710 of language identical to section 257(h) of the Trade Expansion Act in 1962 in order to maintain section 22 of the Agricultural Adjustment Act and actions taken under it.

Great Plains Wheat, Inc.

Great Plains Wheat, Inc. favored the elimination of subsection 102(c) (1) and (2), which provides for the sector-by-sector negotiations.

U.S. National Fruit Export Council

The council stated that authority should be given to the President to negotiate nontariff barriers, but recommended that section 102(c) of the Act, which requires sector negotiations on nontariff barriers be deleted.

Poultry and Egg Institute of America

The institute stated that authority is needed to negotiate the removal of unfair trade barriers; however, agriculture and industry must be negotiated together.

American Iron and Steel Institute

The institute noted that the TRA must contain authority to enter into agreements on a sector basis similar to the GATT Multi-Fiber Textile Agreement. The institute recommended defining the terms "barriers to" and "disruptions of" as used in section 102 to include the trade effects of balance of payments problems, export controls, materials policies, tax policies, pollution abatement programs, government ownership of industries, subsidies, and other non-tariff distortions.

American Institute for Imported Steel, Inc.

The institute strongly urged that the TRA embody a requirement that steel quotas be terminated no later than the current expiration date, December 31, 1974, of the Voluntary Restraint Agreement. The institute expressed the view that a sector approach to NTB agreements is unrealistic.

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations requested that any agreement negotiated on the American Selling Price (ASP) system of valuation, should be a

separate agreement and be subject to review by, and require the affirmative approval of the Congress. Furthermore, products subject to the ASP system of valuation should not be singled out for larger tariff cuts than other major product categories. As currently written, in the case of ASP items, duty reductions would be negotiated under section 101 and section 102.

Any shift from the present valuation system to that of the Brussels definition of value similarly should require affirmative congressional approval.

The associations encouraged the Committee to extend the language in section 102 requiring sector-by-sector bargaining and reciprocity to cover tariff negotiations as well as nontariff barrier agreements.

National Machine Tool Builders' Association

The association recommended that the President be empowered, subject to congressional veto procedure, to negotiate the reduction or elimination of non-tariff barriers.

National Electrical Manufacturers Association

The association strongly endorsed section 102 relating to the use of sectorial negotiations but cautioned that Congress should spell out its intent in cases of persistent barriers to U.S. exports which cannot be removed during forthcoming negotiations by instructions to use the provisions of section 101(c)(1) in equalizing competitive opportunities. Tradeoff between product sectors is *not* necessary to maximize results for all industries as suggested by STR.

American Paper Institute

API stated that cross-sectorial negotiations, rather than the sectorial approach included in section 102(c), are required. The institute pointed out that the paper industry has a great export potential, but it would gain little in sectorial negotiations simply because U.S. tariff and nontariff barriers on paper and paperboard are generally insignificant. Consequently the paper industry has little to offer as a concession in sectorial negotiations.

American Chain Association

ACA endorsed the grant of authority to the President to negotiate NTB agreements.

Electronic Industries Association

The association recommended the retention of all language in section 102(c), with particular emphasis on proposals to negotiate on a sectorial rather than on an across-the-board basis. The association vehemently opposed the STR proposal to eliminate the sectorial negotiating provision from this section, and STR's interpretation of 102(c) as not intended to "prevent opening negotiations on an across-the-board basis".

General Electric Co.

Mr. Kennedy, company spokesman, asserted that the TRA offers the first opportunity for a systematic assault on the nontariff barriers and distortions, which in some sectors, have become the main obstacles to growth of U.S. exports and to the free flow of international trade.

Aerospace Industries Association of America, Inc.

Nontariff barriers to trade, such as mandatory procurement of domestically made aircraft and parts for government-controlled airlines, should be eliminated.

International Marine Expositions, Inc.

The corporation asserted that the Trade Reform Act of 1973 should be amended to clarify the negotiating powers of the President with respect to nontariff barriers to trade. The President should be empowered to negotiate agreements on nontariff barriers to trade on a non-MFN basis, since in the case of many NTB's only selected countries will be, or will wish to be, involved.

Footwear Division, Rubber Manufacturers Association

The association recommended that section 102(b)(1) be amended so that any agreement to eliminate the Final List and ASP tariffs on rubber footwear be negotiated on an *ad referendum* basis and receive affirmative Congressional approval.

Rubber Manufacturers Association

The association supported providing negotiating authority to reduce NTB's because the net impact is more likely to stimulate U.S. exports than imports. Section 102(b)(1) should be amended so that any agreement to eliminate the Final List and ASP tariffs on rubber footwear be negotiated on an *ad referendum* basis and receive affirmative Congressional approval.

Tanners Council of America, Inc.

The council recommended that the principle of reciprocity in the terms of trade be strictly enforced, particularly in reference to quotas which discriminate against U.S. manufactured goods.

American Imported Automobile Dealers Association

The association recommended that the President be directed by Congress to reduce nontariff barriers in trade negotiations, to the maximum degree feasible, on products that possess a high fuel-saving potential.

United States-Japan Trade Council

The council supported the tariff and nontariff negotiating authorities of the TRA. However, it recommended that the sectorial negotiating provisions of section 102 be deleted.

California-Arizona Citrus League; and Sunkist Growers, Inc.

The league recommended that section 102(c)(1), which provides for the negotiation of nontariff barriers on a commodity sector basis, be deleted or modified.

Burley and Dark Leaf Tobacco Export Association, Inc.

The association stated that it is urgent that our negotiators enter the forthcoming round of trade negotiations with broad authority to alter both tariff and non-tariff barriers. The association recommended that section 102(c)—sectorial negotiations—be deleted, or greatly modified to permit negotiating techniques linked to the broader purpose of the Act since section 102(c) as written would greatly reduce

negotiating opportunities and flexibility. The segmentation of our export products in the international trade negotiations, on the basis of each product sector of manufacturing and on the basis of the agricultural sector as a whole, would greatly diminish the possible success of any meaningful or productive negotiations.

Dr. C. Lester Hogan, President, Fairchild Camera and Instrument Corporation

Dr. Hogan firmly supported legislation which would provide U.S. negotiators with the authority to implement strong trade policies aimed at reducing tariff and non-tariff competitive barriers.

National Grain and Feed Association

The association stated that Title I provides for the negotiation of what is perhaps the most stubborn and difficult impediment facing the U.S. agricultural sector, the European Community (EC) variable levy system. In an improved trading world it must be recognized that tariff barriers and non-tariff barriers, of which the variable levy system is one, must be minimized so as to provide a reward for efficiency of production. Final results that do not meet this goal fall short of trade reforms.

American Soybean Association

The association stated that the bill would make possible negotiations to remove obstacles to trade in soybeans where they exist, and also serve to stop erosion of the conditions of liberal trade that have made possible the expansion of U.S. soybean exports.

Kentucky Distillers' Association

The association stated that if section 102 is deemed to grant the President the prospective power, without limitation, to change or modify the application of a domestic excise tax as provided in 26 U.S.C. 5001 (a), and, more specifically, by taxing underproof distilled spirits on the basis of proof gallon, such a grant by the Congress to the President would constitute an improper delegation of legislative powers in violation of the Constitution of the United States. To give HR 10710, Section 102, the meaning intended by the Committee on Ways and Means, it is recommended that the following sentence be inserted at the end of the sentence on line 11, page 8, of the Act; "*Provided, however, that the foregoing authority shall not be exercised so as to modify or in any way affect any provisions of the Internal Revenue Code of the United States (U.S. Code Title 26).*" The courts have consistently upheld the wine gallon method of taxing distilled spirits, indicating: that the method and administration of the tax as applied is correct; that this method of taxation does not violate any existing treaty or trade agreement; and that it is not discriminatory, either directly or indirectly against such importers.

Scotch Whisky Association

The association suggested that the U.S. should negotiate away the present practice of assessing excise taxes and tariff rates on the wine-gallon basis. The wine-gallon method gives an advantage to the domestic whiskey bottler.

International Economic Policy Association

The association recommended that section 102 be expanded to include authority to negotiate regarding discriminatory investment policies.

Scientific Apparatus Makers Association

The association recommended that technical standards be considered as nontariff barriers and favored U.S. conversion to the metric system. The International Voluntary Standards Corporation Act should be enacted.

Cigar Association of America, Inc.

The association favored the reduction of the nontariff barriers of major cigar-consuming countries.

Schieffelin and Company

The firm endorses the authority contained in section 102 on nontariff barriers and recommended the abolition of the wine-gallon basis of taxation and duty assessment.

Heavy Duty Truck Manufacturers Association

The association recommended the elimination of nontariff barriers to U.S. exports of trucks and truck parts and expressed concern over requirement that vehicles assembled in certain countries contain certain percentages of total content.

Ad Hoc Committee of U.S. Dyestuff Producers

The committee opposed the proposed legislation in which the President could repeal the ASP valuation of synthetic organic dyes, pigments, and dye intermediates without prior congressional approval. The committee stated that the ASP valuation of dyes is not a "burden on trade" and noted that foreign producers have increased their share of the domestic market. This penetration into the domestic dye market has increased as a result of the Kennedy Round tariff cuts.

General Witnesses*National Association of Manufacturers*

The association recommended that export subsidies be considered as a nontariff barrier. Adequate congressional review of submitted NTB agreements should be provided for.

U.S. Chamber of Commerce

The Chamber of Commerce supported the need to diminish nontariff barriers in all segments of foreign commerce.

U.S. Council-International Chamber of Commerce

The council contended that authority should be granted enabling the President to negotiate on nontariff barriers to trade.

Emergency Committee for American Trade

The committee generally supported the nontariff negotiating authority; however, it recommended that section 102(c)(2) dealing with "product sector negotiations" be dropped so that the hands of our negotiators would not be unnecessarily tied.

National Council of Farmer Cooperatives

The National Council stated that agricultural trade barriers are among the most complex of the nontariff barriers. It maintained that it is vital that agricultural issues be dealt with as part of the total trade-monetary-investment-security-political package. The council believed that dairy interests would be best served as part of the broadest possible package of negotiations. In the council's view, section 102(c) as it now stands would be counterproductive to our national interest.

American Farm Bureau Federation

The Farm Bureau urged amending subsection 102(b) (1) to direct the President to seek to enter trade agreements for the reduction or elimination of nontariff barriers. The Farm Bureau also recommended deleting subsections 102(c) (1) and (2) which provide for conducting trade negotiations on a product sector basis. Instead, the AFBF suggested a directive to conduct joint negotiations on agricultural and industrial products.

The AFBF suggested adding a provision to Title I explicitly banning U.S. participation in international commodity agreements which would allocate markets or provide for the establishment of minimum and maximum prices.

National Farmers Union

The Farmers Union charged that the Administration has used trade negotiations as a means of attacking farm price support programs in other countries and undermining the agricultural policies of the United States. The union recommended an explicit recognition of agricultural problems and the need for governments to support and stabilize agricultural prices and farmers' incomes. It urged a reaffirmation of the goal of price parity for farmers, and it proposed that the President be directed to negotiate on a broad range of matters dealing with prices, price support mechanisms, export subsidies, import commitments, and supplies, stockpiles, national and world reserves of agricultural commodities.

Dr. Walter Adams (Michigan State University) and Dr. Joel B. Dirlam (University of Rhode Island)

Dr. Adams and Dr. Dirlam stated that although some provisions of the TRA might be questioned because of the amount of discretion and power they convey to the President, they felt, with the exception of Title II, that the bill appears constructive in purpose (especially in regard to the negotiation of non-tariff barriers and discriminatory practices) and procedures.

American Federation of Labor and Congress of Industrial Organizations

Since almost any law could be considered an NTB, the AFL-CIO pointed out, any authorization to negotiate NTB's should be limited and should require specific congressional approval for removal, U.S. tax laws, consumer protection laws, and social legislation, should be excluded from the negotiations.

Committee for a National Trade Policy

The committee stated that Congress should authorize the President to negotiate agreements to reduce or remove NTB's. Whenever an NTB agreement injures a U.S. industry, a special adjustment assistance for that industry should be formulated.

League of Women Voters of the U.S.

The league endorsed the systematic reduction of nontariff barriers through multilateral negotiation.

International Executives Association, Inc.

The association supported the provisions allowing the orderly reductions of nontariff barriers to world trade.

Italy-America Chamber of Commerce, Inc.

The chamber supported the provisions of the TRA requesting authority to negotiate on nontariff barriers. It hoped, however, that the scope of NTB negotiations be drawn broadly.

American Association of Port Authorities

The association suggested that the Committee should reconsider the sector negotiation requirement lest it hamper the flexibility of the U.S. negotiators to eliminate NTB's.

New York Chamber of Commerce and Industry

The chamber suggested modifying section 102(c) so that the obtaining of competitive opportunities by product sectors becomes one of the general U.S. negotiating objectives. Thus, section 102(c)(2) should require negotiating to achieve objectives set forth in section 2, and thereafter, to achieve product sector equivalence.

Chicago Association of Commerce and Industry

The association stated that we must have a trade law which authorizes our negotiators to work toward removal of harmful practices and the establishment of an equitable trading system.

Professor Richard N. Gardner (Columbia University)

Professor Gardner contended that the national interest would be better served if provisions concerning "sectorial equivalence" could be removed from the legislation or at least substantially modified.

International Union of Electrical, Radio and Machine Workers; International Brotherhood of Electrical Workers; and The International Association of Machinists

The unions opposed granting the Executive authority to negotiate the removal of such nontariff barriers as consumer protection and product standard laws, stating such actions would lower U.S. product standards but do nothing to raise foreign standards.

National Retail Merchants Association and the American Retail Federation

The associations supported the provisions to authorize the President to negotiate reductions in nontariff barriers, and encouraged such negotiations.

National Constructors Association

The association supported the reduction of both tariff and nontariff barriers to international trade.

Professor Truman R. Graf, University of Wisconsin

Mr. Graf objected to the dairy import plan in the Atlantic Council Report which calls for a reduction in U.S. import restrictions; and presented data showing: (1) the U.S. dairy industry is more efficient than that in the EC; (2) the U.S. dairy price support program and import restrictions maintain legitimate domestic reserves of dairy products; (3) the price support levels for milk in the United States are less severe; and (4) the adverse effects of shifting the U.S. milk price support base from manufacturing fluid milk, as recommended in the report, would be greater than estimated because the council used the wrong data in preparing its estimates. Mr. Graf concluded that the justifications of the Atlantic Council Report for increasing U.S. imports of dairy products as a way of increasing U.S. exports of grain and oil seeds are not valid.

Professor E. Fred Koller, University of Minnesota

Mr. Koller contended that the dairy industry policies are based on data which may have been valid 10 or 20 years ago. Currently the U.S. dairy industry is more efficient than the dairy industry in the EC, the principal area from which anticipated increases of U.S. imports of dairy products would come.

Mr. Harvey Kapnick, Arthur Anderson and Company

Mr. Kapnick urged that services be included in the negotiating authority given to the President. The accounting field contains dozens of examples of lack of reciprocity and discrimination in disregard of the principles of national and reciprocal treatment of our professional citizens.

National Council of Jewish Women, Inc.

The council contended that flexibility to negotiate nontariff barriers and customs duties is necessary in the context of international negotiations and agreements; however, such sweeping delegation of power would seem to be an open invitation to present advocates of trade restrictions to pressure for demands contrary to the goals expressed by the administration.

Minneapolis Chamber of Commerce

The Chamber favored the concept which allows for the conversion of nontariff barriers to an ad valorem basis. The Chamber advised changing the wording of section 102(c) to make product-sector negotiations a recommended method rather than the required method. The Chamber urged an aggressive attack on the many barriers which distort world agricultural trade; agriculture must be a priority item in the new series of negotiations.

International Sino-American Trade Association

The association favored the elimination or reduction of nontariff barriers by negotiation.

Foreign Trade Association of Southern California

The association asserted that language should be added to provide for prior investigation and evaluation of proposed nontariff-barrier changes by the Tariff Commission.

Trade Relations Council of the United States, Inc.

The council opposed granting the President unlimited authority to eliminate nontariff barriers without real guidelines.

C. GATT REFORM**Members of Congress***Hon. Sam M. Gibbons (Democrat of Florida)*

Mr. Gibbons found the need for revision of the GATT rules urgent, since he feels the danger of economic warfare and confrontation between the rich and poor nations is great.

Witnesses With Specific Product Interest*National Livestock Feeders Association*

The association stated that any contributions to GATT, as provided by section 121 (b), should be subject to congressional appropriation.

National Electrical Manufacturers Association

The association endorsed STR's proposed amendments to section 121, relating to GATT revision.

American Paper Institute

The institute favored giving U.S. negotiators a measure of flexibility in dealing with reform of the international trading system.

International Marine Expositions, Inc.

The corporation supported the negotiation within the GATT of an agreement on safety standards.

General Witnesses*U.S. Chamber of Commerce*

The chamber believed that GATT should be strengthened and formal procedures enacted to mediate disputes.

Overseas Development Council

The council contended that a weighted voting system, as requested by the Committee on Ways and Means, would give a preponderant voice to rich countries. The U.S. approach to GATT should not attempt to diminish the weight of developing countries in the world system since the satisfactory management of the world economy depends on the fullest international participation possible.

Atlantic Council of the United States

The council urged enactment of a "Code of Trade Liberalization" supplemental to and supportive of the GATT.

Professor Richard N. Gardner, Columbia University

Professor Gardner recommended revising section 121 (a) so that the six numeral paragraphs which follow would be reworded to eliminate specific references to the GATT articles individually or as a whole thereby increasing the President's negotiating flexibility. Thus, the President could correct deficiencies in the GATT by negotiating codes separate from, but under the general framework of the GATT.

Mr. Harvey Kapnick, Arthur Anderson and Company

Mr. Kapnick suggested that the present language in section 163 ". . . the removal of foreign practices which discriminate against United States service industries . . .", should be retained, and that accounting be specifically included along with the others listed under services.

Mr. Orville L. Freeman, Business International

Mr. Freeman urged that GATT negotiations develop a consultative mechanism, so that as actions with possible market-disrupting effects are taken by any one country, efforts can be made to eliminate or at least ameliorate those effects.

Mr. Freeman stated that attention should be directed toward how GATT can provide an institutional and operational framework for law and order in the international investment world.

D. BALANCE OF PAYMENTS

Government Officials

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle stated that the authorities provided in the TRA of 1973 to make trade adjustments in particular balance-of-payments circumstances are the minimum needed to provide credibility for U.S. negotiators in their attempt to bring about a common realization that international cooperation can work effectively to deal with new as well as old problems.

Members of Congress

Hon. Robert Taft, Jr. (Republican of Ohio)

Senator Taft viewed the balance-of-payments surcharge authority as a huge grant of authority to the President.

Witnesses With Specific Product Interest

American Institute for Imported Steel, Inc.

The institute held the view that the balance-of-payments authority conflicts with current provisions of the GATT.

Manufacturing Chemists Association

The association supported granting authority to the President to meet payment crises in the trade sector.

National Machine Tool Builders' Association

The association favored the granting of authority to adjust imports in connection with balance-of-payments disequilibria and counter-inflation measures.

Electronic Industries Association

The association stated that an across the board application of surcharges or import quotas to deal with serious balance-of-payments deficits is recommended, but subsection 122(c)(2), which would grant Presidential authority for the application of these controls selectively against one or a few countries, should be deleted.

Automobile Importers of America

The organization expressed concern about section 122. No Provision exists for notice to importers, consumers, or others who would be adversely affected by an increase in import restrictions. Furthermore, the provision would permit the imposition of discriminatory import surcharges or quotas against one or more select countries having large or persistent balance-of-payments surpluses.

American Imported Automobile Dealers Association

The association stated that the balance of payments authorities should be eliminated from the TRA. If the balance of payments authorities are not eliminated, it is proposed that such authorities: (1) be based on the most-favored-nation principle; (2) assure equality of treatment for products presently being imported in whole or in part under discriminatory trade agreements; (3) be used to counter payments deficits due in major part to imbalances on the trade account; (4) be limited in terms of tariff increases to five percent; and (5) permit guaranteed access of supplies for the United States.

Florida Fruit and Vegetable Association

The association stated that one of the arguments used by the U.S. Department of Labor to support its restrictive attitude toward the importation of supplemental agricultural workers (e.g., braceros) was that part of the wages earned by such workers went back to foreign countries and thus the balance-of-payments problem was aggravated. On the contrary, the association contended the shortage of agricultural labor has resulted in increased quantities of fruit and vegetables being imported into the United States, especially from Mexico. Congress should share the authority, which at present would be delegated to the President, to deal with the balance-of-payments deficits or surpluses.

General Witnesses*U.S. Council-International Chamber of Commerce*

The council contended that the President still needs new authority to deal with balance-of-payments difficulties.

Emergency Committee for American Trade

The committee recommended that the Senate should include a requirement that import restrictive measures taken under the balance-of-payments authority be in accord with international obligations of the United States.

National Foreign Trade Council

The council favored the proposed bill's provision for specific authority to invoke trade measures to deal with serious balance-of-payment deficits or surpluses.

Committee for a National Trade Policy

The committee suggested that if import controls are imposed for balance-of-payments reasons, the President should be required to frequently report to Congress on progress being made toward removing such restrictions.

Consumer Education Council on World Trade, Inc.

The council stated that the authority to impose temporary surcharges or import quotas to correct persistent balance-of-payments deficits is potentially dangerous to the welfare of the consumer.

National Retail Merchants Association and the American Retail Federation

The associations recommended that the imposition of surcharges to correct balance-of-payments difficulties should be authorized only on an MFN basis. A hearing should be required prior to the imposition of any restrictions. The imposition of quantitative restrictions should be rejected as a method of correcting balance-of-payments problems. Minimum standards should be provided for defining when balance-of-payments problems justify import restrictions.

Communications Workers of America

The union preferred the use of currency adjustments to the use of quota or tariff adjustments in dealing with persistent balance-of-payment surpluses or deficits.

International Economic Policy Association

The association recommended that negotiations seek fair and equitable treatment for U.S. investments abroad, the principal "breadwinner" for our balance of payments.

International Sino-American Trade Association

The association recommended that an express provision be inserted which would require the President to give new consideration to efforts being made voluntarily by individual countries to correct a persistent balance-of-payments surplus between such countries and the United States.

E. ANTI-INFLATION**Government Officials***Hon. William D. Eberle, Special Representative for Trade Negotiations*

Ambassador Eberle noted that the anti-inflation authority requested is designed to enable the United States to more effectively manage the trade agreements program.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons stated that world-wide inflation makes it more important that consumers be allowed the chance to purchase less expensive goods from abroad, especially when this does no harm to U.S. workers or industries.

Witnesses With Specific Product Interest

Poultry and Egg Institute of America

The institute asserted that liberalized trade is the best defense against inflation.

Manufacturing Chemists Association

The association recommended deleting the anti-inflation authority of the TRA.

General Witnesses

Committee for a National Trade Policy

The committee approved in principle the authority to suspend import restrictions in order to restrain inflationary tendencies. However, it doubted whether the authority should be restricted to an arbitrary percentage of total U.S. imports, to the time limitations specified in the bill, and to situations where, in the President's judgment, the suspension would not injure "firms or workers".

The committee recommended the immediate suspension of import duties on as many products in short supply as possible, including all imported meat, to ease shortages and inflation.

League of Women Voters of the U.S.

The league supported section 123, which grants the President authority to suspend import barriers to restrain inflation as well as other provisions relating to consumer interests.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten said that the Trade Reform Act ignores the problem of inflation. There is an urgent need to adopt a whole series of more selective policies to fight inflation without raising unemployment, such as expanding section 123 of the Act dealing with anti-inflationary trade measures.

International Union of Electrical, Radio and Machine Workers; International Brotherhood of Electrical Workers; and the International Association of Machinists

The unions stated that Presidential authority to temporarily invoke anti-inflation devices would increase opportunities for imports to preempt the U.S. market without effecting inflation.

Communications Workers of America

The union opposed blanket relaxation of import barriers as a policy for dealing with inflation and opposed the delegation of such complete authority be delegated to the President.

F. OTHER AUTHORITY

Witnesses With Specific Product Interest

Manufacturing Chemists Association

The association supported granting limited authority for the President to make minor negotiating adjustments. The association recommended that the same form of public hearings and advice gathering apply for all authorities delegated to the President.

G. PRENEGOTIATION PROCEDURES

Government Officials

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle stated that there must be a better and closer working arrangement with the Congress than has existed in the past, and that the industrial, agricultural, labor, and public interests generally must also be weighed in a more direct manner. The TRA of 1973 provides a basis for a better system of obtaining advice from the private sector, but needs to be adopted slightly to bring other elements of the American economy, especially agriculture, into balance with the weight given industrial consultation.

Hon. Earl L. Butz, Secretary of Agriculture

Secretary Butz noted that an important part of the process of preparing for and conducting negotiations will be the consultation procedures prescribed in section 135 of the TRA. These include the establishment of several advisory committees to represent U.S. agricultural interests throughout the course of the negotiations. It is believed that this process will be a fruitful one.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent remarked that a joint three-stage program was initiated to develop adequate prenegotiation procedures. In the first two stages, the views and recommendations of industry were sought on establishing an effective consultative mechanism, and industry was asked to present views in the consultation process. In the third stage, formal advisory committees are being established under provisions of the Federal Advisory Committee Act. The experience and expertise of these industry advisors will greatly assist our negotiators in their efforts to obtain maximum benefits for the United States.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association generally agreed with the provisions requiring the President to involve the Tariff Commission, executive departments, and the private sector in the negotiation and trade-agreement process, including public hearings.

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations requested that provisions be included which will insure effective industry advice and consultation, and full consideration of industry recommendations during the negotiations.

National Office Machine Dealers Association

The association suggested that the consumer protection and anti-monopoly elements of section 202(e) (4) should also apply to the prenegotiation procedures.

National Electrical Manufacturers Association

The association endorsed section 135 and recommended approval of two proposed STR amendments to authorize general policy advisory committees and to exempt these committees from section 11 of the Federal Advisory Committee Act; and in addition, the association urged provisions to provide the STR with adequate staffing.

American Paper Institute

The institute found the TRA represented a step forward in its provisions for industry-government liaison for negotiations. API supported STR's clarifying amendment to section 135.

Builders Hardware Manufacturers Association

The association endorsed section 135—Advisory Committees, and recommended that these committees be granted a limited exemption from the antitrust laws.

Rubber Manufacturers Association

The association supported the expressed intent of the Administration to improve the heretofore inadequate liaison between U.S. industry and government, and recommended further improvement in Chapter 3, Title I.

U.S. Committee of Wire Rope Producers

The committee suggested that industry in general, through public hearings or the establishment of a prenegotiation record, should have an opportunity to be heard.

Western Electronic Manufacturers Association

The association urged the retention of those sections of the bill which permit representatives of the private sector to present their views on negotiating objectives and bargaining positions. The association urged that section 135(e) (2) be broadened to exempt the meetings of those advisory groups from section 11 of the Federal Advisory Committee Act. Currently, the bill exempts such meetings from the public hearing requirements of section 10 of the Act. Section 11 of the Act provides for making available the transcripts of such meetings.

Electronic Industries Association

The association stated that section 135 of TRA, advise from the private sector, should be retained and strengthened. STR's proposed

amendment to section 135(e), which would exempt meetings of industry advisory committees from statutory requirements that such committees furnish transcripts of all meetings to anyone requesting them, was strongly endorsed. STR's recommendation that the TRA be amended to create an Industry Policy Advisory Committee should be approved. STR should be provided with adequate professional and industry staff members.

General Electric Co.

Mr. Kennedy supported the provisions that provide for consultation with industry, agriculture, labor and others in the private sector.

Mr. James G. Affect, American Cyanamid Company

The company supported the proposed congressional participation as official advisors to the U.S. negotiators and the provisions for the transmittal of advice from selected industry groups concerning national negotiating objectives and bargaining positions prior to entering into a trade agreement.

Slide Fastener Association

The association contended that clear cut criteria are needed in the TRA to reserve articles with highly competitive imports from negotiation lists. The principal criterion in TRA of 1973 for an article being placed on a negotiating list—that it is deemed appropriate by the President—is not sufficient. Reservation from the negotiating lists should be based on (1) whether the quantity of imports reached a given percentage of consumption, (2) whether such imports reflected a rapid increase, and (3) whether these imports caused or threaten to cause economic distress to the domestic industry. These criteria have particular application in the case of the domestic slide fastener industry.

Mr. Eugene L. Stewart, Attorney representing producers of flat glass

The producers endorsed the recommendations of the Trade Relations Council of the United States for the amendment of sections 131 and 135 of H.R. 10710 (dealing with advice from the Tariff Commission and the private sector). To reform prenegotiation procedures.

General Witnesses

National Association of Manufacturers

The NAM stated that meaningful consultations between government and the private sector are necessary. The TRA will improve consultative channels, but the meetings of the advisory committees should be exempt from section 11 of the Federal Advisory Committee Act, an Industrial Policy Advisory Committee should be established and anti-trust considerations should be clarified.

U.S. Chamber of Commerce

The Chamber of Commerce believed that there should be a two-way flow of information and advice between responsible negotiators and industry spokesmen.

Italy-America Chamber of Commerce, Inc.

The chamber contended that chapter 3 of Title I is the most crucial part of the entire TRA. The U.S. negotiators, as well as those of our trading partners, should enjoy the benefits of industry advice at or near the conference table.

Communications Workers of America

The union called for more equitable representation of both labor and consumer interests during the course of trade agreements negotiations.

International Sino-American Trade Association

The association asserted that the prenegotiation procedures contemplated by the bill are deficient in two major respects: (1) Failure to provide objective criteria for determining which articles are to be included on the list of articles to be negotiated to be transmitted to the Tariff Commission; and (2) Lack of express criteria for determining whether articles once evaluated are to be reserved from negotiation.

Trade Relations Council of the United States, Inc.

The council asserted that there should be restored to the mandatory prenegotiating procedures the approach that was followed in trade agreement negotiations antedating the Kennedy Round. The Tariff Commission should specifically determine the extent to which existing import duties on particular product categories may be reduced without causing or threatening serious injury to a domestic industry or its workers. In addition, the Commission should identify the extent to which existing duties should be increased if domestic industries and their workers are to be safeguarded from actual or threatened serious injury under current circumstances.

H. OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association supported moving trade negotiation and administrative responsibility out of the State Department to the extent practical, but suggested the relationship between STR and the Council on International Economic Policy be given attention in proposed legislation.

General Witnesses

American Farm Bureau Federation

The AFBF proposed changing subsection 141(c)(1) to avoid circumventing the intent of the International Economic Policy Act of 1972 and Public Law 93-121, with respect to the policy coordinating function of the Council on International Economic Policy.

Chicago Association of Commerce and Industry

The association urged the committee to make certain that STR has sufficient resources and authority to meet the challenge of long and arduous negotiations with the GATT nations.

Consumer Education Council on World Trade, Inc.

The council was gratified to see the inclusion of consumer representatives on the Advisory Committee for Trade Negotiations which will work with STR, but felt that this is insufficient protection for the consumer. The council urged giving consumer spokesmen greater roles in the development and operation of trade policy.

I. CONGRESSIONAL VETO AND LIAISON**Witnesses With Specific Product Interest***National Livestock Feeders Association*

The association stated that there should be provision for congressional override on actions of the President regarding import relief, but it opposed Congress interjecting itself into day-to-day administrative activities by functioning as advisors to the U.S. trade delegation.

National Milk Producers Federation

Positive action rather than the negative action called for in the TRA, the federation recommended, should be provided for each individual agreement reached and returned to Congress for review and approval.

The federation asked that congressional delegates to the trade talks be seated "in more than an advisory capacity." Moreover, it urged for the specific appointment of industry advisors in connection with the negotiations.

American Institute for Imported Steel, Inc.

The institute opposed the 90-day congressional veto procedure for negotiated NTB agreements on the grounds that it is insufficient even for Committee, much less full congressional, consideration.

Manufacturing Chemists Association

The association urged the active participation of congressional advisors during the negotiations.

General Electric Co.

Mr. Kennedy recommended that section 162(a) be clarified to require the President to state his reasons for entering into an agreement affecting nontariff barriers when the agreement is submitted to Congress.

Scientific Apparatus Makers Association

The association contended that adequate congressional review of both tariff reductions and NTB agreements should be provided for.

National Association of Scissors and Shears Manufacturers

The association urged that provisions be included for Congress to retain control and oversight over trade negotiations.

General Witnesses*Emergency Committee for American Trade*

The committee supported the provisions that require reports to Congress on certain Presidential action and also supported the provision

whereby Congressional delegates would be accredited as official advisers to the United States delegation to international conferences with respect to trade agreements.

National Council of Farmer Cooperatives

The National Council endorsed the concept of Congressional oversight and veto as well as the provisions on Congressional advisers and liaison.

Committee for a National Trade Policy

The committee suggested that the President's authority to lower or remove NTB's is overly circumscribed by the consultations with Congressional Committees on each cluster of NTB concessions.

For consultation and cooperation between the President and the Congress joint select committees should be established.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten supported the application of congressional veto to import quotas enacted by the President.

II. Relief from Injury Caused by Import Competition

A. IMPORT RELIEF

Government Officials

Hon. George P. Shultz, Secretary of the Treasury

Secretary Shultz indicated that the TRA of 1973 would introduce a fairer and less stringent test for domestic industries to qualify for temporary import relief or adjustment assistance. Easier access to relief and temporary relief measures would provide time to adjust to import competition.

Hon. Peter M. Flanigan, Council of International Economic Policy

Mr. Flanigan stated that there is agreement between the Congress and the Administration that the present escape clause and adjustment assistance provisions of the TEA of 1962 must be substantially liberalized. A revised escape clause, better adjustment assistance, and staying provisions insure that the benefits received from the adjustments involved in proceeding toward a more open trading world will not impact unfairly on certain domestic industries and workers.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent noted that under the existing TEA of 1962 rules of eligibility for "escape clause" relief, almost two-thirds of the petitioning industries have failed to meet the qualifying tests. More realistic eligibility criteria for safeguard relief are necessary under present conditions, and perhaps will be needed even more following completion of the proposed trade negotiations. It is also important that new arrangements be developed at the international level to deal with disruptions caused by changing patterns of international trade.

Hon. Peter J. Brennan, Secretary of Labor

Secretary Brennan indicated that there will be situations involving industry-wide injury where sole reliance on adjustment assistance is

not practical. For such situations the bill provides a greatly improved industry escape clause procedure which may be initiated by workers as well as management. Changes in the escape clause criteria made in this bill are an important part of the measures which will be available to protect American workers against serious injury from increased competitive imports.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons pointed out that under the TRA all forms of import relief are made quicker and easier to obtain, and that adjustment assistance is made more generous.

Hon. William D. Hathaway (Democrat of Maine)

Senator Hathaway suggested that some import relief should be made mandatory after an affirmative finding by the Tariff Commission that imports have been or have threatened to be a substantial cause of serious injury to an industry. The bill presently makes such relief discretionary and leaves the matter entirely in the President's hand.

Individual quotas should be determined on a more rational basis than the simple counting of imports for a given country in an arbitrarily chosen year. Senator Hathaway's proposal would start with a base year but allow the quota to rise or fall as the average manufacturing wage in the country in question has risen or fallen relative to wages in this country. This way, as a country's standard of living improves and as any competitive advantage based upon the exploitation of its workers diminishes, its quota would automatically rise proportionately.

Hon. Robert Taft, Jr. (Republican of Ohio)

Senator Taft expressed concern that the TRA goes too far by allowing import relief when imports are the "substantial" rather than the "primary" cause or threat of serious economic injury.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association recommended that the authority for the Congress to override a Presidential determination not to provide import relief in the face of an affirmative finding by the Tariff Commission, as provided by current law, should be retained. The President's authority to terminate or reduce import relief at will should be subject to congressional review.

American Iron and Steel Institute

The institute doubted that the adoption of the term "substantial cause" in section 201 of the TRA would have much real effect on the disposition of escape clause cases. The institute expressed disappointment generally with Title II, particularly with section 202, which would permit the President to disregard Tariff Commission findings and recommendations, and with section 203, which places orderly marketing agreements as lowest priority relief. The institute advocated incorporating in the bill the "market disruption" definition and other

essential features of the safeguard measures embodied in the Textile Arrangement.

Kaiser Steel Corp.

The corporation recommended that section 201(b)(3) be amended to permit the Tariff Commission to make a finding of injury under the escape-clause with respect to a geographic segment of an industry when the facts warrant such a finding. Section 203(b)(2) should be amended to permit negotiation of orderly market agreements with one or more foreign countries which account for a significant part of U.S. imports by a geographic region and the President should be given authority to take action against countries not party to an orderly market agreement once such an agreement existed. Section 203(b) should be amended to permit the President to apply higher import duties only to those countries whose imports were causing injury to the industry in a major geographic area without the necessity for imposing higher duties on all imports.

American Institute for Imported Steel, Inc.

The institute characterized the TRA's escape clause as one of the bill's most objectionable sections. It suggested that the causation test between increased imports and trade concessions be relaxed to the pre-1962 "whole or in part" test rather than be eliminated. The institute opposed the change from "major" to "substantial" as the test of causality between imports and injury. Moreover, it opposed directing the Tariff Commission to "segment" an industry in escape clause investigations. Finally, the institute characterized as a "technical oversight" the wording which would make a finding of threatened serious injury more probable than a finding of serious injury itself.

Allegheny Ludlum Industries, Inc.

Mr. Roger S. Ahlbrandt, chairman of Allegheny Ludlum, stated that trade legislation must include: (1) Early warning provisions so that economic danger can be detected and responsible agencies alerted, and (2) Flexibility that will enable a quick response, including a mandatory triggering mechanism for immediate programs.

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations supported the liberalization of criteria for determining eligibility for import relief.

National Machine Tool Builders' Association

The association strongly endorsed the liberalization of the eligibility criteria for escape clause relief.

National Office Machine Dealers Association

The association supported section 202(c)(4) requiring the President, after a finding of injury, to take account of the effect of relief on consumers and on competition. This section should be strengthened, however by requiring the Tariff Commission in escape-clause proceedings to make its own investigation under the section and report its

findings to the President. Import restrictions should not be imposed unless increased imports are the "primary" rather than merely a "substantial" cause of serious injury. Moreover, the President should be forbidden to impose import restrictions when the Tariff Commission finds that such restrictions will materially reduce competition.

National Electrical Manufacturers Association

The association urged the deletion of section 203(f)(1) which would treat suspension of TSUS items 806.30 and 807.00 as an increase in U.S. duty.

American Paper Institute

API supported the TRA's relaxation of the escape clause provisions.

American Chain Association

The association recommended inclusion in the escape clause a procedure by which the Congress can override a Presidential determination not to follow a Tariff Commission recommendation for relief.

Electronic Industries Association

The association opposed section 203(f)(1) which would permit the suspension of TSUS items 806.30 and 807.00 for the purposes of providing import relief under the escape clause.

Aerospace Industries Association of America, Inc.

The association opposed suspension of TSUS items 806.30 and 807.00 as a means of granting import injury relief.

International Marine Expositions, Inc.

The corporation supported Title II of the TRA, which deals with relief caused by disruption from sudden surges in foreign imports.

American Dinnerware Emergency Committee

The committee strongly supported the liberalized criteria of the TRA of 1973, but recommended: (1) The statutory phaseout of import relief (section 203(i)(2)) should be deleted and the Committee should substitute the phaseout and extension provisions of the TEA. (2) Congressional override of a Presidential decision not to impose import relief recommended by the Tariff Commission (section 351(a)(2)(B) of the TEA) should be included. Alternatively, consideration should be given to make the Tariff Commission recommendation binding on the President. (3) The Committee should give serious consideration to authorizing the Tariff Commission to modify the relief granted by periodic adjustment upward of appropriate value brackets of the tariff schedules to preserve protection in the face of inflation and revaluation. (4) Orderly marketing agreements should not necessarily be considered less preferable than increased tariffs or any other form of relief. The President must have the authority to impose, and the Tariff Commission the duty to recommend—whatever relief may be required.

Footwear Division, Rubber Manufacturers Association

The association cautioned that liberalization of the criteria for escape-clause relief would not solve the problem of injury posed by the conversion of the American Selling Price method of valuation to

other methods. Thus, if developments subsequent to an agreement to convert ASP were to demonstrate the inequity of the agreement, then nothing could be done by the Tariff Commission to restore the ASP method to those products now valued for customs purposes on that basis.

U.S. Committee of Wire Rope Producers

The committee endorsed the improvements which are now proposed, but suggested that the safeguard provisions be further liberalized to afford easier relief.

American Footwear Industries Association

The association urged the inclusion of an automatic trigger mechanism that would result in relief when imports reached certain levels of penetration of the domestic market.

Builders Hardware Manufacturers Association

The association endorsed the intent, procedures and most of the provisions of Title II, Chapter 1, but contended that the time limit for import relief was too restricted.

Automobile Importers of America

The organization did not object to the elimination of the link between tariff concessions and increased imports, but urged that the proper focus of the escape clause should be on two basic questions—have imports increased and if so, are they causing or threatening serious injury to a domestic industry? The organization urged that the new escape clause provision require the Tariff Commission to consider, in substance, whether the actual increase in imports is the major cause of truly serious injury, or the threat of truly serious injury (not a lesser cause of injury) to all the plants in the United States producing the product that competes with the imported product.

American Imported Automobile Dealers Association

The association recommended that the safeguard system include a fair hearing process for complainants and respondents in Tariff Commission proceedings under the adjudicatory provisions of the Administrative Procedure Act. The revised eligibility criteria should require that: (a) national industries, and not only parts thereof, must be harmed by imports prior to the granting of import relief; and (b) the imports should be the primary and not just a substantial cause of the complaining industry's distress. Tariff duty relief should be limited to 100 percent of present duty levels if such an increase would not reduce imports to less than the quantity or value of such articles imported into the United States during the most recent representative period.

Imported Car Committee of the National Automobile Dealers Association

The committee favored retaining the "major cause" link between increased imports and serious injury to the domestic industry involved. Any import restraints granted should be temporary in nature.

United States-Japan Trade Council

The council supported the expanded adjustment assistance program, but stated that the escape clause section is deficient in two respects: (1) The test for "threat of serious injury" should be no easier to meet

than that for "serious injury," and (2) increased duties imposed under the escape clause should not exceed 150 percent of the Smoot-Hawley rates. The bill would permit duty increases up to 20 percentage points above the existing rate.

Lead-Zinc Producers Committee

The committee recommended passage of the Trade Reform Act, but suggested amendments to give less discretion to the Executive Branch in escape-clause and countervailing duty actions.

California-Arizona Citrus League, and Sunkist Growers, Inc.

The league urged that any import relief measures that are warranted in instances of severe competition between imports and domestically produced commodities should not include the imposition of quotas and other nontariff barriers.

Western Electronic Manufacturers Association

The association generally supported the order of preference for extending import relief measures set forth in section 203, particularly the safeguards afforded TSUS Items 806.30 and 807.00.

Dr. C. Lester Hogan, President, Fairchild Camera and Instrument Corporation

Dr. Hogan opposed the authority to suspend tariff items 806.30 and 807.00 as an import relief measure, since it could lead to the further movement of labor-intensive semiconductor operations offshore. He stated that by enabling the semiconductor industry to remain competitive with labor intensive imports, items 806/807 have saved, not reduced, the number of domestic jobs.

Committee of California Semiconductor Manufacturers

The committee emphasized the importance of the preservation of items 806.30 and 807.00 of the TSUS to the vast array of small businesses in the semiconductor industry. Without 806/807 the U.S. would import more and export fewer semiconductor devices with the consequent deteriorative effect on balance of trade and decreased employment by the industry.

Machinery and Allied Products Institute

The institute endorsed the extension of import relief and adjustment assistance to workers, firms, and industries as proposed in TRA.

Florida Fruit and Vegetable Association

The association favored the change which would make it no longer necessary to link increased imports to a previous tariff concession and the change which would require that increased imports be only the "substantial" rather than the "major" cause of injury. The President should be compelled to take action in cases affirmatively reported to him.

Antifriction Bearing Manufacturing Association, Inc.

The association stated that import relief under section 201 of the TRA of 1973 should not be denied simply because dumping or countervailing duty conditions are also found to exist. In determining whether imports are a "substantial cause" of injury, actions by foreign pro-

ducers or importers which would constitute prohibited anti-trust conduct if engaged in by a domestic producer should not be considered as a factor which could form a basis for denial of relief. The association also proposed specifying the right of Congress to adopt relief measures recommended by the Tariff Commission. Moreover, the association contended that the public hearings proposed in section 203(g) for persons adversely affected by import relief measures be deleted.

National Association of Greenhouse Vegetable Growers

The association asserted that there is a need for protection against imports from countries with low wage rates. The association contended that the "escape clause" procedure under the TRA will not be adequate unless: (1) A mechanism is provided whereby the President's failure to act on a Tariff Commission finding of injury can be quickly overruled by Congress; (2) the mechanism for congressional review should be amended so that the Tariff Commission finding becomes law unless voted down by Congress within a certain time limit; (3) the 6-month delay in proceedings while the President attempts to negotiate an orderly marketing agreement should be stricken; (4) the provision for an additional hearing at the Presidential level should be eliminated; and (5) the time frame should be shortened so that no more than 120 days would elapse between the Tariff Commission's affirmative determination and the granting of relief by Congress in the event that the President does not act.

Copper and Brass Fabricators Council, Inc.

The council stated that the relief granted to domestic industry under the bill from the impact of imports which actually cause or threaten to cause serious injury to domestic industry should be sufficient to relieve the injury or eliminate the threat of such injury. No arbitrary limit should be placed on the amount of escape clause relief available to domestic industry in such cases.

Scientific Apparatus Makers Association

The association supported the proposals in the TRA.

Slide Fastener Association

The association asserted that the escape clause provision in the TRA is a considerable improvement over that in past legislation, and recommends that the provision be enacted. However, the association foresees the future possibility of the need for further strengthening of escape clause relief from increased imports if most-favored-nation treatment is extended to communist countries and tariffs on slide fasteners from less-developed countries are eliminated.

The Cordage Institute of the United States

The institute recommended that standards be established for "import injury" and that the granting of import relief be mandatory.

National Association of Scissors and Shears Manufacturers

The association recommended that the escape clause provisions should be made more stringent to enable domestic industry to obtain real help in combating injury caused by import competition. HIR 10710

provides that the President "may" act following a Tariff Commission finding. This Presidential discretion should be deleted.

Mr. Eugene L. Stewart, attorney representing producers of flat glass

The producers recommended that the tariff adjustment procedures of the trade agreements legislation be reformed so as to give to the findings and recommendations of the Tariff Commission the weight which the Congress has always intended for them; and supported the recommendations presented to this Committee by the Trade Relations Council of the United States for the revision of sections 201, 202, and 203 dealing with Important Relief.

General Witnesses

National Association of Manufacturers

The association favored relaxation of escape-clause criteria, particularly elimination of the "causal link" to previous trade concessions.

U.S. Chamber of Commerce

The chamber supported liberalization of "escape clause" criteria.

U.S. Council-International Chamber of Commerce

The council recommended that new authority with respect to escape-clause provisions be granted. Such measures are important in that they will give the President authority to take remedial action if U.S. business is discriminated against in other countries.

Emergency Committee for American Trade

The committee generally supported the "escape clause" provision. However, it did recommend that imports be required to be the "primary" rather than "substantial" cause of serious injury and that a common definition be used for threats of serious injury as for actual injury.

National Foreign Trade Council

The council supported the bill's safeguards against import injury to industry.

National Council of Farmer Cooperatives

The National Council supported Title II.

American Farm Bureau Federation

The federation proposed amending subsections 201(b)(2)(A) and (B) so that the criteria for relief from injury caused by import competition be the same for "threat of serious injury" and for "serious injury." The federation also recommended that subsection 201(b)(4) be amended by replacing the term "substantial cause" with the term "major cause."

Dr. Walter Adams (Michigan State University) and Dr. Joel B. Dirlam (University of Rhode Island)

Dr. Adams and Dr. Dirlam testified that Chapter I—Import Relief should be deleted from Title II. They objected to the definition of an industry in section 201(b)(3), the causation requirement in section 201(b), the producer interest—rather than consumer interest—implied in section 201(b), the relief procedure that would permit the President

to select a quota without any public hearing, and the definition of "directly competitive with" (section 601(5)) which they viewed as too broad.

American Federation of Labor and Congress of Industrial Organizations

Mr. Meany stated that imports overflow the U.S. market, wipe out jobs, and sweep away segments of industries. He suggested new flexible legislation to regulate imports and exports as a means of establishing an orderly flow of international trade. Exports, imports and production should be linked in relation to needs for supplies, production and job opportunities in the United States.

American Importers Association

The association recommended that the "causal link" to past concessions should be continued but changed from "major" to "in whole or in part," the pre-1962 language. Increased imports should be the "major" cause of injury, not merely a "substantial" cause. An industry, not just a portion of it, should be found to be suffering injury before import restrictions are imposed. The existing provisions of law outlining the economic factors that the Tariff Commission are to take into account in making its determination as to actual or threatened injury should remain unchanged. The provision allowing the Tariff Commission to treat as a producer only that subdivision producing the like or directly competitive article should be stricken. The President's authority to increase a rate of duty should be limited to 150 percent of the Column 2 rate. The Congressional veto procedure should apply to tariff rate quotas, as well as to quantitative restrictions and orderly marketing agreements.

Committee for a National Trade Policy

The committee contended that the present bill does not establish a satisfactory overall industry-adjustment policy urgently needed. U.S. policy (both present and prospective) provides no mechanism for coordinated government attention to adjustment problems that have not yet escalated into the escape-clause standards. The proposed phasing-out of escape-clause relief is commendable. However, the criteria for imposing such trade restrictions should be tightly drawn. The requirement of at least some link to a trade agreement concession should be retained and "primary cause of injury" should be combined with, not replaced by "substantial cause." The bill should require that every effort be made to phase-out import quotas more rapidly than tariff increases. The committee supported the provisions of the bill requiring that the industry's effort to adjust to foreign competition be considered in the Tariff Commission's investigation. Authorization of escape-clause tariff increases to 50 percent above the existing tariff, rather than increases as high as 20 percentage points, seems more appropriate.

League of Women Voters of the U.S.

The league contended that the test for import relief should be drawn so that it is granted only in cases of severe injury. Access to import relief would be assured with the elimination of the causal link between increased imports and tariff concessions.

United Steelworkers of America, AFL-CIO, and the Industrial Union Department of the AFL-CIO

Mr. Abel stated that one way to assure that the industrial base and the potential for productive employment are maintained in the United States is to establish a flexible system of measured restraints on imports of manufactured goods.

International Executives Association, Inc.

The association contended that the availability of import relief as provided by the provisions of the TRA is vulnerable to abuses through unjustified and excessive claims.

Italy-America Chamber of Commerce, Inc.

The chamber reported that the removal of the concession causation link in the proposed "escape clause" appears to introduce additional uncertainty. The chamber suggested that the Tariff Commission already has broad interpretory powers under the "escape clause" and therefore, it may be unnecessary to enact sweeping changes.

American Association of Port Authorities

The association favored the elimination of the "causal link" between increased imports and trade agreement concessions; however, it urged that the requirement that increased imports be the major cause of actual or threatened injury be retained in the escape clause. The TRA proposes weakening the latter causation link to "substantial cause".

New York Chamber of Commerce and Industry

The chamber opposed liberalization of the injury criteria contending that the standard should be "major cause" rather than "substantial cause."

The chamber opposed providing authority for the suspension of items 806.30 and 807.00 in import relief situations, since evidence indicates that those tariff items add significantly to this country's exports and provide a significant number of jobs here which otherwise would be lost. It also opposed quotas and orderly marketing agreements as means of import relief.

Consumer Education Council on World Trade, Inc.

The council stated that the easing of standards by which the Tariff Commission determines injury to a domestic industry and the measures which the legislation authorizes the President to impose to ease import injury are potentially dangerous to the welfare of the consumer.

Professor Richard N. Gardner (Columbia University)

Professor Gardner stated that some loosening of the current escape clause provisions is obviously necessary as a price for passing the trade bill, but that the loosening in the House version has gone too far. The new provisions would mean many more recommendations for trade restrictions by the Tariff Commission—and much more political pressure on the President under the escape clause than he has faced in recent years. The Senate should tighten up the escape clause with respect to the criteria on both causality and injury.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten stated that import relief to an industry should be carefully scrutinized.

The Law Firm of Stitt, Hemmendinger and Kennedy

Mr. Hemmendinger stated that the TRA adopts a much broader approach to import relief, by authorizing it regardless of the reason for the increased imports. That broader approach requires that the causal link between imports and injury test be framed with care. The Finance Committee should make clear in its report that the new language in Section 201 of the bill clarifies the Congressional intent, but does not necessarily call for affirmative findings in situations where the Tariff Commission was unable to make such findings under present law.

National Retail Merchants Association and the American Retail Federation

The associations stated that the "causal connection" with negotiated duty concessions and the "major cause" injury criteria of the present trade law should be retained. The Tariff Commission should be required to determine that the domestic industry has made and is making a true effort to effectively compete with imports. Import relief should be limited to the partial or total suspension of the GATT obligation or tariff concession which caused the disruption.

Mr. Scott C. Whitney

Mr. Whitney asserted that Title II of H.R. 10710 should be amended so that whenever the Tariff Commission, after investigation and hearing, concludes that an import would produce serious injury or a threat thereof, the President should be *obliged* to grant import relief unless the President can demonstrate to Congress that specific supervening national security and/or foreign relations considerations override the need for import relief.

In addition, Congress should impose the same standard for granting adjustment assistance to labor and firms and for granting import relief to industry.

Communications Workers of America

The union endorsed the availability of relief from the disruption to domestic markets from inordinate increases in imports, but disagreed that the determination as to the necessary action should be consigned to Presidential discretion alone.

Customs Committee, Los Angeles County Bar Association

The association urged that section 203(f)(1) be revised to read as follows: "No such partial suspension of item 806.30 or item 807.00 shall increase the applicable duty by more than 50 percent of the amount by which duty would be increased if the item were wholly suspended."

Foreign Trade Association of Southern California

The association opposed the sweeping changes in the import relief and adjustment provisions. Experience indicates that there is not necessarily a causal link between a depressed industry and increased

imports; hence such "relief" could easily be used to subsidized inefficiently-run industries.

United States-Mexico Chamber of Commerce

The Chamber contended that the language of the bill may be interpreted to go too far and recommended clarification of "serious injury" to mean something very significant, and not a trifling matter.

International Sino-American Trade Association

The association contended that the import relief provision is essentially anti-import. The removal of the requisite casual connection between trade agreement concessions and subsequently increased imports broadens the range of articles which would be subject to potential restrictions.

The association recommended that the specific criteria on which Presidential decisions are to be based following an affirmative recommendation from the Tariff Commission for import relief and the additional flexibility granted to the President to negotiate orderly marketing agreements should be maintained in the bill.

Trade Relations Council of the United States, Inc.

The council submitted a suggested revision of section 201, contending that the Tariff Commission should determine whether there exists a condition of market disruption. If the Commission finds serious injury, or the threat thereof, a finding of market disruption would constitute prima facie evidence that increased quantities of imports of the like or directly competitive article have caused or contributed to such injury or threat thereof. A condition of market disruption would be found to exist whenever a showing has been made that imports of a like or directly competitive article were substantial, that they were increasing rapidly both absolutely and as a proportion of total domestic consumption, and that they were offered at prices either substantially below those of comparable domestic articles which have been depressed to that level due in whole or part of the pressure of the prices of the imported article. The Council opposed sections 202 and 203 and recommended a revision of such sections.

B. ADJUSTMENT ASSISTANCE

Government Officials

Hon. George P. Shultz, Secretary of the Treasury

Secretary Shultz noted that the TRA of 1973 would provide easier access and greater benefits to workers who qualify for adjustment assistance. Although the Secretary considered adjustment assistance a "good second best" he indicated that in his view, it is better to improve the unemployment insurance system generally than to provide something special in the field of trade. The Secretary was of the opinion that the first increment of adjustment assistance paid to workers should be part of the regular unemployment compensation system in the state, which is set up for the purpose of helping people make adjustment. The way the House bill sets it up, a flow of funds into the Federal Treasury finances the whole program.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent commented that the new provisions in the TRA of 1973 for adjustment assistance to firms provide for a sound program of aid to import-impacted American manufacturers. The simple and more objective qualifying criteria will make it easier to identify immediate problems and to apply sound measures. Quick assistance is intended for firms whose difficulties clearly stem from import competition.

Hon. Peter J. Brennan, Secretary of Labor

Secretary Brennan remarked that special provisions for assisting trade displaced workers are justified because the displacement of those few arises from a broad government policy which benefits the entire economy. The existing program of assistance to workers adversely affected by trade is unsatisfactory. Under H.R. 10710 workers will receive increased protection and assistance through the proposed revisions in the industry-wide escape clause procedure and an improved program of adjustment assistance. The provisions of H.R. 10710 compress and speed the determination of eligibility, substantially increase cash payments to eligible workers, and provide additional services for displaced workers. It is the intention to use trade adjustment assistance to deal quickly and effectively with job displacements to which competitive imports contributed importantly. The regular unemployment insurance and manpower programs are designed to deal with displacements that are clearly the result of normal seasonal or cyclical factors, or of shifts in technology or of domestic competition.

Members of Congress*Hon. William D. Hathaway (Democrat of Maine)*

Senator Hathaway asserted that the fortunes of a particular firm have little impact on a large metropolitan area—adjustment in this case probably means simply finding another job in a new section of town. The traditional forms of assistance may well be enough. But in a town or small city, the demise of a single firm can cripple the entire local economy. Senator Hathaway therefore proposed that economic development assistance be made available to communities (or groups of communities comprising a single labor area) whenever the Secretary of Commerce found that a significant proportion of the local manufacturing work force had been separated from their jobs and that the separation was caused by an increase in imports. Local councils would be established to draw up and run an economic development program. The Secretary would be authorized to provide whatever technical assistance might be necessary so that the councils could develop a program conducive to attracting new industry.

Hon. Charles H. Percy (Republican of Illinois)

Senator Percy expressed his belief that since the benefits of trade flow to all the cost of trade should not be borne by a few. Senator Percy discussed some of the provisions of S. 1156, "The Trade Adjustment Assistance Act of 1973," which he and Senator Taft had introduced. This bill would provide for higher compensation payments,

include special benefits for workers in a training program, permit the payment of fringe benefits, and provide for special compensation programs for older workers. Expanded help for small businesses and for import impacted communities would also be provided.

Hon. Robert Taft, Jr. (Republican of Ohio)

Senator Taft recommended that the TRA should be amended to provide liberalized allowance for job relocation assistance, an extension of eligibility for benefits throughout job retraining periods, eligibility for benefits of workers who quit to look for other jobs before they are actually laid off, and benefits for workers over 60 until they find new jobs or become eligible for social security. Adjustment assistance should be made available to whole communities in response to import competition. Senator Taft is a co-sponsor, along with Senator Percy, of S. 1156, the Trade Adjustment Assistance Act of 1973. In addition, Senator Taft recommended institution of an "early warning" system to detect problems related to import competition in their early stages.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association seriously questioned the fitness of adjustment assistance as a remedy. It contended that adjustment assistance is purely welfare in nature. Truly reciprocal negotiations, import relief, and the safeguards provided in Title III against unfair trade practices should forego the need for welfare treatment, the association pointed out.

American Institute for Imported Steel, Inc.

The Institute supported a liberalization of the adjustment assistance provisions. It stated that what is needed is governmentally financed and assisted, industry-wide technological modernization programs in the case of industries and meaningful relocation and retraining programs in the case of workers, unemployed or underemployed, due to irreversible industry decline.

American Paper Institute

The institute favored the TRA's liberalization of the eligibility criteria for adjustment assistance.

J.M. Company

Mr. Heltzer suggested that the adjustment assistance provisions of Title II were long overdue.

American Dinnerware Emergency Committee

The committee supported the provisions of TRA of 1973 as they relate to adjustment assistance. However, the committee argued that the regulation that a firm must apply for adjustment assistance within a year after Presidential Proclamation providing for a request for certification to the Secretary of Commerce should be increased to at least 2 years.

U.S. Committee of Wire Rope Producers

The committee endorsed the improvements which are now proposed for adjustment assistance.

Builders Hardware Manufacturers Association

The association strongly endorsed suggestions of the National Association of Manufacturers' Staff Report as an alternative to the adjustment assistance provisions of H.R. 10710.

American Imported Automobile Dealers Association

The association recommended that adjustment assistance be made available for employees in import-dependent industries harmed by decreases in imports due to Executive actions under the safeguard system.

Western Electronic Manufacturers Association

The association supported the expanded and liberalized adjustment assistance provisions for employees and firms.

Computer and Business Equipment Manufacturers Association

The association suggested that the U.S. not cling to artificial restraints to protect industries in which the U.S. clearly has no comparative advantage and for this reason the association strongly supported the adjustment assistance provisions.

Florida Fruit and Vegetable Association

Worker adjustment assistance would further increase unemployment payments, further decreasing the already dwindling supply of labor.

Scientific Apparatus Makers Association

The association emphasized that assistance should be available to both industries and workers and that assistance should be tailored to specific situations.

The Cordage Institute of the United States

The institute urged the adoption of provisions as in H.R. 10710 for adjustment assistance for business itself, particularly small businesses which suffer substantially or are closed as a result of action in international trade.

General Witnesses*National Association of Manufacturers*

The association urged a restructuring of these provisions to enable earlier assistance for both workers and firms. Such a restructuring is needed to emphasize early industrial adjustment focused on job creation, job retention, and quick re-employment, rather than on after-the-fact financial compensation. Unless the program is redirected high expenditure levels can be expected.

U.S. Chamber of Commerce

The chamber recommended that economic adjustment programs which are more responsive to the needs of the displaced should be included in the TRA.

Liberalization of the eligibility criteria should be made, and, in addition, the chamber recommended that local governmental units be eligible for assistance.

The chamber recommended the committee to continue tax assistance to firms in the form of extended loss carrybacks.

Emergency Committee for American Trade

The committee believes strongly in the concept of adjustment assistance and supported the adjustment assistance provisions of Title II.

National Foreign Trade Council

The council favored more adequate and timely adjustment assistance to be extended to workers and firms adversely affected by imports.

United Automobile, Aerospace and Agricultural Implement Workers of America

The union contended that adjustment assistance for workers should be greatly expanded, especially in the field of fringe benefits, job relocation, and training allowances. It proposed a trade adjustment assistance program like that which resulted from the creation of Amtrak, except that deficiencies in the Amtrak program would be corrected for trade displaced workers.

Provisions to provide assistance to communities should also be established.

Mr. Charles R. Frank, Jr., (Brookings Institution)

Mr. Frank, a senior fellow of the Brookings Institution, stated that the assurance of market access, which is so important in an interdependent world, requires an adequate adjustment assistance program. The adjustment assistance program provided in the TRA should be improved to include aid to communities, special help for older workers, health insurance, early warning, and extension of the eligibility criteria to firms directly injured by trade or to workers injured by relocation of facilities outside the United States. Mr. Frank contended that such terms as significant, separated, threatened, and, wholly or partially separated are not defined in the legislation and are open to a range of interpretations.

National Council of Farmer Cooperatives

The National Council suggested that adjustment assistance for both firms and workers be liberalized as part of a more comprehensive program to make industry-wide adjustment *before* a crisis stage is reached.

Dr. Walter Adams (Michigan State University) and Dr. Joel B. Dirlam (University of Rhode Island)

Dr. Adams and Dr. Dirlam applauded those provisions of Title II which provide for adjustment assistance to workers and firms.

American Importers Association

The Association supported the adjustment assistance provisions, but suggested that the provisions could be improved by providing coverage for employees of importers adversely affected by import relief actions.

Committee for a National Trade Policy

The committee endorsed the bill's easing of eligibility criteria for adjustment assistance but regretted the bill's limitation of the Tariff Commission's role in conducting investigations. Adjustment assistance

should be authorized, not only to workers and firms injured by imports, but also to workers, firms, and communities injured by import restrictions. The Nation needs an adjustment/conversion strategy addressed to all forms of dislocation, including injury that may result from the shifting of production from a U.S. plant to facilities abroad.

League of Women Voters of the United States

The league supported the adjustment assistance provision of the TRA but believed that the benefits should be expanded.

United Steelworkers of America, AFL-CIO, and the Industrial Union Department of the AFL-CIO

Mr. Abel observed that adjustment assistance was a poor substitute for meeting job displacement resulting from imports. A better approach, in his opinion, is some type of quota arrangement to relate the flow of imports to the conditions in the domestic market.

International Trade Club of Chicago

The club supported the provisions to assist United States workers and firms to adjust to new competitive conditions.

Mid-America Council for International Economic Policy

The council concluded that the only way to provide meaningful assistance to firms would be to restrict imports of competitive products on a declining basis over a four or five year period, allowing firms the necessary time to adjust.

Italy-America Chamber of Commerce, Inc.

The chamber concurred with the proposals in the bill for liberalizing adjustment assistance for firms and workers affected by distortions arising from international trade.

American Association of Port Authorities

The association supported the expanded adjustment assistance benefits of Title II, and it particularly supported the easing of the eligibility criteria for adjustment assistance.

New York Chamber of Commerce and Industry

The chamber supported the liberalization of the eligibility criteria for adjustment assistance for firms and workers. Moreover, the chamber proposed that the TRA should make provisions for adjustment assistance to communities which suffer because of increased imports.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten suggested raising the level of worker's adjustment assistance, adding fringe benefits, and making a form of adjustment assistance available to import-impacted communities. He also proposed setting up some form of "early warning" for trade-induced dislocation, and the creating of a new Office of Adjustment Assistance within the Executive Office of the President.

National Retail Merchants Association and the American Retail Federation

The associations contended that the strengthened adjustment assistance provisions should be used as the preferred form of relief from imports.

National Constructors Association

The association contended that a comprehensive adjustment assistance program will serve to help industries alter their products and operations so as to become able to compete, thus preventing the death of any American industry. However, the program should not be exclusively financial compensation for injury due to imports, or unemployment compensation for workers adversely affected, but should also include technical assistance for firms and retraining of workers.

Mr. Thomas E. Murray

Mr. Murray estimated costs for the adjustment assistance program based on a method of mathematics of uncertain quantities. His estimate of the total cost of worker adjustment assistance in the first year range from \$39 million, assuming benefits are held at 65 percent of the average wage in manufacturing, to \$520 million assuming payments increase to the 90 percent level. Estimated total costs of the program for workers at a "steady state" rather than "first year" range from \$113 million to \$1.1 billion per year.

Communications Workers of America

The union strongly endorsed the liberalized language introduced in TRA of 1973 to make the test for worker relief fairer and less stringent.

National Council of Jewish Women, Inc.

The council asserted that temporary quotas or tariffs on specific products, though they may bring immediate relief, are a simplistic method of alleviating a deep-seated and long-lasting ailment which can be cured only by a vigorous and forward looking domestic economic policy. Such a policy should be designated to encourage and support the competitive ability of United States industries. There is no policy in the proposed bill which puts forward a comprehensive program of assistance which will encompass the industry, the worker, and the consumer. Therefore, the inclusion of a policy that will benefit all relevant parties in an equal manner is necessary.

Minneapolis Chamber of Commerce

The chamber asserted that the provisions are equitable and will provide needed relief to individuals and businesses forced to adjust to import competition.

United Rubber Cork, Linoleum and Plastic Workers of America

The union asserted that changes in assistance programs for industries and workers in the TRA do not go far enough to help industries or improve the situation for workers adversely affected by rising imports.

International Sino-American Trade Association

The association approved the worker adjustment assistance provision.

American Association of University Women, Legislative Program Committee

The committee recommended that an adjustment assistance program should be designed to: (1) Further research and development; (2)

Provide efficient allocation and use of resources; (3) Bring about increased labor productivity; and (4) Result in the timely elimination of benefits.

Trade Relations Council of the United States, Inc.

The council contended that the adjustment assistance program for workers needs to be continued in operation during the transition period from the type of trade agreements program experienced in the past to the more meaningful type of program which would result from the adoption of amendments (such as the new escape clause) offered by the council.

III. Relief From Unfair Trade Practices

A. FOREIGN TRADE PRACTICES

Government Officials

Hon. Peter M. Flanigan, Council on International Economic Policy

Mr. Flanigan stated for trade to be free it must also be fair. Although the basis for an open and equitable trading system is cooperation, experience indicates that cooperation is often enhanced when there is a clear understanding that all parties are firmly committed and are able to protect their rights.

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle noted that the provisions of the TRA of 1973 dealing with unfair foreign trade practices are extended specifically to include export subsidies to third country markets or to the United States. Presently we have no authority to even discuss this in negotiations. Until we have that authority, we are not going to be able to represent the United States as well as we should.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent pointed out that in seeking ways to finance their greater energy costs, other countries may be tempted to restrict imports while artificially encouraging exports through subsidies or other means. The trade bill will provide the legal tools for combating unfair or unreasonable trade practices and will enable U.S. participation in multilateral negotiations designed to continue progress toward liberalization and reform of the international economic system.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons termed the House-passed bill "a real improvement" over the present law with regard to providing relief from unreasonable import competition.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association contended that the intent of this title is in harmony with furthering the cause of reciprocity and, if prompt action is taken, its provisions can go a long way in correcting one of the serious

weaknesses of the United States—namely, the failure to retaliate immediately and effectively against the adverse actions of other nations.

U.S. National Fruit Export Council

The council supported section 301 of H.R. 10710 to enlarge the President's authority to respond to unjustifiable or unreasonable foreign import restrictions or export subsidies.

Poultry and Egg Institute of America

The institute objected to EC NTB's on poultry—generally consisting of a distorted entry price coupled with a variable levy and a supplemental levy. It has become a practice to raise the levy on a 3-day notice—thereby creating uninsurable risks.

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations endorsed the proposals included in section 301, and especially commended the new language which would enable the U.S. to confront and deal with unfair practices of trading countries that place our trading position in third country markets at a disadvantage.

National Electrical Manufacturers Association

The association endorsed section 301 and urged adoption of the amendments proposed by the STR to eliminate the distinction between foreign justifiable and unreasonable trade practices and to authorize Presidential action without prior public hearings.

American Paper Institute

The institute supported in general the provisions of Title III, with the clarifying amendments offered by Ambassador Eberle which would assure fairness in the administration of this title and thus avoid retaliatory actions on the part of other countries.

American Chain Association

The association favored the TRA's provisions authorizing unilateral action against imports from those countries that either maintain unjustifiable or unreasonable barriers to U.S. exports, or otherwise discriminate against U.S. commerce.

3M Company

Mr. Heltzer stated that the safeguard provisions of Title III will provide an effective means of dealing with major unfair trade practices.

Tanners' Council of America, Inc.

The council felt that individual U.S. firms were unable to compete fairly in world markets against foreign firms and industries which are state-controlled, directed, or subsidized.

Builders Hardware Manufacturers Association

The association recommended the incorporation of Clayton Act market concepts in U.S. foreign trade law. BHMA considers it appropriate that the same tests of unfair competition be applied to foreign competitors in the United States as are applied to domestic concerns.

Automobile Importers of America

The organization strongly objected to section 301 as it would authorize the President to impose—without any limit—duties or other import restrictions on products of an offending country. Furthermore, there is no requirement that retaliation under this provision be consistent with our international obligations.

Air Transport Association of America

The association suggested that paragraph (B) of section 301(a) of Title III be revised to read as follows:

(B) May impose duties, *fees*, import or other restrictions on the products *or services* of such foreign country or instrumentality for such time as he deems appropriate (italics indicate added language).

Many of the restrictive practices now faced by U.S. airlines in their efforts to compete in foreign markets could be overcome or neutralized through the full utilization of this legislation.

United States-Japan Trade Council

The council contended that section 301 should be amended to ensure that it is applied in accordance with U.S. international obligations.

Burley and Dark Leaf Tobacco Export Association, Inc.

The association supported granting the President authority to withhold benefits of trade agreement concessions and impose duties or other restrictions on the products of foreign countries or instrumentalities which discriminate against or restrict U.S. exports.

Machinery and Allied Products Institute

The institute supported the extension of the President's authority to retaliate against foreign import restrictions adversely affecting U.S. nonagricultural exports as well as agricultural exports and, in principle, supported the new authority to retaliate against foreign subsidies on sales to third markets which substantially reduce sales of competitive U.S. products to those markets.

American Institute of Marine Underwriters

The institute recommended that "and/or commercial services" be included everywhere the term "products" appears.

General Witnesses

National Association of Manufacturers

The NAM supported a tough, fair trade policy within the guideposts of international obligations. Title III will add "legislative teeth" to U.S. trade policy and improve existing governmental machinery dealing with unfair foreign trade practices.

U.S. Chamber of Commerce

The chamber supported revision of the bill, to grant the President certain powers for use against unfair foreign export restrictions.

Overseas Development Council

The council contended that the amendment to Title III which allows the President to retaliate against foreign export restraints

deemed to be unreasonable, but not illegal, should not be granted until attempts have been made in GATT to develop new rules on export controls.

National Council of Farmer Cooperatives

The National Council supported Title III.

American Federation of Labor and Congress of Industrial Organizations

The AFL-CIO took the position that the TRA does not assure an adequate response against old and new barriers to U.S. products raised by other nations.

United Steelworkers of America, AFL-CIO, and the Industrial Union Department of the AFL-CIO

Mr. Abel contended that U.S. products are still subject to discriminatory trade practices by other nations, including such practices as the imposition of nontariff barriers, special tax levies, export subsidies, and preferential trading blocs. To counteract these barriers the United States has been encouraged to export technology and capital instead of products.

International Trade Club of Chicago

The club supported the provisions to protect American industry against unfair competition.

Consumer Education Council on World Trade, Inc.

The council stated that the provisions for relief to industries from unfair trade practices are potentially dangerous to the welfare of the consumer.

National Retail Merchants Association and the American Retail Federation

The associations recommended revoking or severely limiting the President's retaliatory authority in Title III.

National Constructors Association

The association supported the provisions of Title III of the TRA, especially section 301(a)(3), the authority to retaliate against the products of those countries which discriminate or impose restraints against U.S. exports.

Mr. Harvey Kapnick, Arthur Anderson and Company

Mr. Kapnick suggested that the definition of U.S. commerce now spelled out in the House Report pertaining to Title III of the TRA of 1973 be incorporated in the bill. The report states that "commerce" as used in section 301(a) is intended to include services as well as goods.

Communications Workers of America

The union favored taking retaliatory action against foreign countries imposing unnecessary restrictions on U.S. trade, but proposed that the determination of appropriate action be made by a Foreign Trade Board, subject to statutory limitations, rather than left to the discretion of the President.

Foreign Trade Association of Southern California

The association opposed the provisions which would give the President unlimited authority to retaliate against foreign countries. Instead the United States should propose the creation of an international code clearly defining and proscribing unreasonable trade practices.

International Economic Policy Association

The association recommended that section 301(a)(2) explicitly apply to discriminatory investment policies.

B. ANTIDUMPING/COUNTERVAILING DUTIES**Government Officials***Hon. George P. Shultz, Secretary of the Treasury*

Secretary Shultz stated that the TRA of 1973 would improve the procedures for protecting American workers and industry from unfair competition, by amending the antidumping and countervailing duty statutes. To facilitate international negotiations, the House bill authorizes the Secretary of the Treasury to refrain from countervailing, during a temporary 4-year period, when such action would be likely to jeopardize the satisfactory completion of such negotiations except where the producer of subsidized products is state owned or controlled. In the latter case, the bill provides only a 1-year discretionary authority. The Secretary opposed the 1-year limitation on the grounds that it is irrelevant for the purposes of negotiations whether the producer of subsidized products is state owned or not. The 1-year restriction should be removed from the bill, so the 4-year rule would apply in all cases.

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle noted that the countervailing duty provisions would be extended under the TRA of 1973 to cover duty-free imports. The Secretary of the Treasury basically could refrain from imposing countervailing duties for a period of 4 years if such duties would jeopardize the international negotiations; however, only a 1-year discretionary authority is provided in the case of state owned or controlled foreign producers. Further changes are needed in the bill to provide more flexibility in this area.

Members of Congress*Hon. Charles H. Percy (Republican of Illinois)*

Senator Percy stated that predatory commercial practices such as dumping or subsidizing of exports for the purpose of penetrating our domestic markets should not be allowed.

Witnesses With Specific Product Interest*National Livestock Feeders Association*

The association stated that the time that elapses in making determinations reduces the effectiveness of the provisions. It opposed the right of foreign interests to appear at hearings.

The association favored the provisions of the bill making duty-free goods subject to countervailing duties; limiting the time for Treasury's determination to 6 months, and making mandatory the imposition of countervailing duties.

National Milk Producers Federation

The federation recommended that the time period for a determination on the enforcement of countervailing duties be shortened to 30 days, that the authority to waive the collection of countervailing duties where quotas are in force be removed, and that the authority to waive collection of countervailing duties during a four-year period when trade talks are in progress be eliminated.

American Iron and Steel Institute

The institute recommended that the trade bill's antidumping and countervailing duty provisions be amended to permit all parties to an antidumping case to have equal rights to be heard; to eliminate the moratorium on application of countervailing duties; to define the terms "industry" and "injury"; and to require the Secretary of the Treasury to publish a notice within 30 days after receipt of a complaint so that the triggering mechanisms on the time limitations become fixed.

American Institute for Imported Steel, Inc.

The institute objected to a number of the proposed amendments to the Antidumping Act, and the countervailing duty and the unfair trade practices provisions of the Tariff Act of 1930. It suggested that fundamental reforms can only come in government-to-government negotiations.

Cast Iron Soil Pipe Institute

The institute recommended that title III of the TRA of 1973 be made very specific in its requirements as to the time allowed for Treasury to make its determinations. Section 303(a)(1) should be amended so as to require the Treasury to make its determination within six months instead of twelve. Treasury should publish notice of a formal investigation in the Federal Register, within 30 days after receipt of an industry's petition for a countervailing duty investigation under section 303(a)(4). Section 321, which amends the Antidumping Act, should be amended so as to require publication of the notice of the initiation of an investigation within 30 days following the filing of a petition. Section 321(b) should be amended to omit the words "or in more complicated investigations within nine months," so that all determinations would have to be made within 6 months.

The institute opposed allowing foreign merchandise to enter the United States when the exporters refuse to supply Treasury with information necessary to conduct its investigations.

Outboard Marine Corporation

Mr. Vaughn Border, the corporation spokesman, recommended that the antidumping regulations be changed with respect to determining fair value in communist-dominated countries. Mr. Border argued that there is no way that a fair valued determination can be made in cases

where there are only two producers of a commodity—one the United States, and the other a communist-dominated country—and in which the United States is the only market for the commodity. If the communist-dominated country cannot or will not supply data upon which Treasury can make its determination, Treasury should be given authority to (1) calculate a constructed value in the communist-dominated country or (2) as proposed in S. 2374, Treasury should base the home market price in the communist-dominated country on the cost of producing the product involved in the United States plus the standard profit specified in the constructed value provisions of the Antidumping Act of 1921, as amended.

National Machine Tool Builders' Association

The association endorsed those provisions of the bill that would make the antidumping and countervailing duty statutes more effective by improving statutory timetables for the completion of investigations and making certain other procedural protections.

National Office Machine Dealers Association

The association suggested that the Secretary of the Treasury should have some discretion in the application of countervailing duties. The association pointed to a number of U.S. export assistance measures, for example, the DISC, and urged work be done on developing an internationally acceptable standard for government subsidization.

National Electrical Manufacturers Association

The association endorsed sections 321 and 331 of Title III relating respectively to amendment of the Antidumping Act and the Countervailing Duty Statute.

American Chain Association

The association suggested amendments to the Antidumping Act along the lines of S. 323. The association proposed that Treasury should make a tentative dumping determination or issue a notice of withholding of appraisement within six months of a complaint being filed. The association recommended that the TRA require that the Tariff Commission make an affirmative determination of injury when less than fair value sales of foreign merchandise have caused more than de minimis injury. Judicial review should be provided on petition of domestic as well as foreign industries of determinations by both the Treasury and the Tariff Commission.

ACA generally supported the TRA's amendments to the countervailing duty statute. It believed that judicial review should be provided upon petition of any interested party as provided in S. 323.

The association supported Title IV of S. 323 that would amend the Revenue Act of 1916 to permit the recovery of treble damages where the effect of international price discrimination was to injure competition.

Electronic Industries Association.

The association urged amendments to TRA which would require the full, fair, mandatory, and rapid enforcement of both antidumping and countervailing duty laws; deletion of subparagraph 303 (e) of section 331 giving the Secretary of the Treasury authority to refrain from

imposing an additional duty after the use of a bounty or grant has been determined. It also recommended that judicial review in antidumping and countervailing duty cases be authorized.

Aerospace Industries Association of America, Inc.

The association supported changes in the countervailing duty law that would make such duties applicable to non-dutiable goods under certain circumstances.

Rubber Manufacturers Association

The association recommended the removal of the discretionary authority conferred on the Secretary of the Treasury by Section 331(e), to delay the imposition of countervailing duties during trade negotiations.

U.S. Committee of Wire Rope Producers

The committee suggested that the bill might be improved by assuring that an industry, which has been injured, receive some standing before the Treasury Department to pursue the question of dumping duty assessments.

American Footwear Industries Association

The association urged a six-month limit on the total time which Treasury may take to make a decision, beginning with the date of filing a complaint in countervailing duty cases. In antidumping cases, American manufacturers should be given the right to appear in hearings without having to show good cause.

Tanners Council of America, Inc.

The association maintained that the TRA of 1973 would not be effective against state-controlled foreign enterprises which engaged in dumping practices.

Builders Hardware Manufacturers Association

The association vigorously opposed subsection 303(e) which would authorize the Secretary of the Treasury to withhold imposing countervailing duties when he determines that they would jeopardize trade negotiations.

American Imported Automobile Dealers Association

The association urged that the President be permitted for at least four years to avoid imposing countervailing duties on any product, if it is determined that the imposition of such duties would undermine trade negotiations in progress. The bill would limit this discretion to one year in the case of subsidized exports produced in facilities owned by developed countries.

United States-Japan Trade Council

The council asserted that the Antidumping Act should be amended to allow for differences in circumstances of sale found to exist under accepted accounting principles when comparing the home market price with the export price.

Western Electronic Manufacturers Association

The association recommended that the Secretary of the Treasury be permitted to waive the application of countervailing duties for up

to four years when the products are produced in foreign government-owned or controlled facilities. The bill currently would limit the Secretary's discretion in this case to one year.

Land O'Lakes, Inc.

The company contended that countervailing duties should be levied and paid in all cases, except when imports are covered by quotas under section 22 of the Agricultural Adjustment Act.

Antifriction Bearing Manufacturers Association, Inc.

The association contended that profit should not be a deductible element in price determination under the Antidumping Act and judicial review must be provided in cases of negative antidumping findings.

Copper and Brass Fabricators Council, Inc.

The council contended that an explicit statutory right of judicial review in antidumping cases should be conferred on domestic fabricators. Such a provision would be wholly consistent with the proposed amendment to section 516 of the Tariff Act of 1930 to so specifically permit judicial review of negative countervailing duty determinations.

The clear statutory remedy against export bounties and grants can only be effective to discourage unfair competition by foreign fabricators if that remedy is inevitably applied once the import bounty or grant is found to exist. That effectiveness could and would be destroyed or minimized by making its application in countervailing duty cases subject to the discretion of the Secretary of the Treasury.

Gulf Resources & Chemical Corporation

The corporation urged amendment of the Antidumping Act: (1) To provide for judicial review of negative antidumping findings; (2) to make hearings compulsory at both the Treasury and the Tariff Commission stages of an antidumping investigation, and urged that the domestic complainant be afforded the unconditional right to appear at any such hearings; (3) to provide for cumulation of injury when there is injury or a likelihood thereof by reason of the combined effects of less than fair value sales from more than one country; and (4) to clarify and codify the limited conditions under which a dumping finding can be revoked by the Treasury Department.

Pulp and Paper Machinery Manufacturers' Association

The association proposed an amendment to the Antidumping Act which, in effect, would define sales at less than cost of production as sales at less than fair value. In addition, the act would be amended to state specifically the Secretary's authority to employ independent public accounting firms or other consultants to verify data submitted on constructed value.

The association also proposed an amendment to the countervailing duty statute which would define certain financial assistance, tax rebates, and the like, as "bounties or grants" subject to countervailing duties.

Mr. Eugene L. Stewart, Attorney representing producers of flat glass

The companies objected to the provision of the proposed legislation that would: (1) ratify the current practice of making the withholding

of appraisement effective as of the date such notice is published, rather than retroactively to 4 months prior to the filing of an antidumping complaint; (2) attempt to convert antidumping investigations by the Secretary of the Treasury and the Tariff Commission into judicially reviewable hearings by making available to interested parties a transcript of the hearings and all information developed in connection with the investigation because of the stultifying effect this would have upon the techniques that have been developed by the Secretary and the Tariff Commission for sophisticated determinations in antidumping investigations; and (3) require the addition to the transaction prices of artificial increments representing the theoretical amount of duties and taxes which could have been but were not collected in regard to the exported merchandise.

The companies recommended that the countervailing duty statute be amended to specify that the remission by foreign countries of taxes paid with respect to products produced for export, or the forgiveness of taxes with respect to such products, or the discrimination in price on raw materials sold for use in the production of goods for export in comparison with goods produced for consumption in the home market, constitute bounties or grants which are to be remedied by the imposition of countervailing duties.

Freeport Minerals Company

The company recommended the proposed amendment to the Antidumping Act to require the Secretary of the Treasury, under certain circumstances, to disregard sales made in the home market if those sales are below cost, in determining "fair value." The company agreed that hearings should be made compulsory at both the Treasury and Tariff Commission, but recommended that the complainant and other affected producers be afforded an unqualified right to appear at any such hearings. The company also suggested an amendment to the Antidumping Act to provide specifically for judicial review.

The company approved the change to the countervailing duty law which would make that law applicable to duty-free imports and recommended that it should be made clear that the countervailing duty law applies to private as well as to governmental subsidies.

The company opposed the proposed new subsection (e) to section 303 of the Tariff Act, which would allow the Secretary of the Treasury to withhold for four years the application of a countervailing duty.

General Witnesses

National Association of Manufacturers

The association supported the proposed changes in the antidumping and countervailing duty provisions and stressed the importance of prompt action.

Emergency Committee for American Trade

The committee supported the countervailing duties provisions but recommended that the TRA should, either through explicit language or through legislative history, express the desire that a major objective of trade negotiations be an international code on subsidies affecting international trade. The temporary provision enabling the Secre-

tary of the Treasury to avoid the imposition of countervailing duties if the additional duties would be likely to seriously jeopardize the outcome of trade negotiations should be extended to four years in the case of imports from government-owned or controlled facilities. The bill currently provides for a one year, rather than four year, discretionary authority in such cases.

Overseas Development Council

The council suggested that the new U.S. legislation on unfair trade practices (Title III) may result in obstacles to the development of new exports by poor nations. Appropriate use of discretionary authority by the Executive Branch with regard to countervailing duties and the active participation of developing countries in any international consideration of multilateral guidelines for the use of countervailing and antidumping duties are both desirable steps.

American Farm Bureau Federation

The AFBF advocated deleting subsection 303(d) from the bill. As written, subsection 303(d) provides that countervailing duties need not be applied if the article to be countervailed against is subject to U.S. quantitative restrictions or if it is subject to quantitative limitations on exports to the U.S. If not deleted the subsection should be amended to exclude agricultural commodities. Similarly, subsection 303(e), which would give the Secretary of the Treasury one to four years discretion to withhold the application of countervailing duties if he thought their imposition would jeopardize trade negotiations, should be deleted or at least amended to provide a specific exemption for agricultural commodities.

American Federation of Labor and Congress of Industrial Organizations

The AFL-CIO advocated new provisions to speed and assure action against foreign dumping and subsidization of products to the U.S. market.

American Importers Association

The association recommended that the decisional time limit incorporated in section 303(a) dealing with countervailing duties be stricken. In the view of the association, judicial review of the Secretary's determination of the amount of a bounty or grant should be available to both producers and importers, but neither should have judicial review of the determination of the existence of a bounty or grant. Countervailing duties should be extended to duty-free items, but the injury test should cover dutiable as well as duty-free items.

League of Women Voters of the U.S.

The league supported the Administration proposals concerning countervailing duties. The league suggested, however, that the Secretary's four-year discretionary authority to avoid countervailing duties while negotiations progressed be also extended to those cases where imports from government-owned or controlled facilities are involved.

International Executives Association, Inc.

The association stated that the discretionary provisions on countervailing duties, whereby Treasury is given four years to determine whether any additional duty would jeopardize the completion of trade negotiations, should be extended further to apply as well to any article which is the product of facilities owned or controlled by a developed country if the investment or operation is subsidized. In the latter case, the bill currently would limit the Secretary's discretion to only 1 year.

Italy-America Chamber of Commerce, Inc.

The chamber asserted that with the exception of certain problems in the provisions dealing with antidumping, countervailing duties, and patent enforcement, it approved the basic approach taken by the TRA in Title III. It objected principally to the statutory enactment of recent regulatory changes in the enforcement of the Antidumping Act, which the chamber viewed as contradictory with existing court decisions.

American Association of Port Authorities

The association recommended that the four-year waiver of the application of countervailing duties, which may take place when the Secretary of the Treasury finds that the application of such duties would hamper trade negotiations, be allowed in all cases. As the bill is currently written if the countervailing duties were to be applied against a product from a developed country where the government subsidized the production facilities involved, only a one year waiver would be authorized.

New York Chamber of Commerce and Industry

The chamber suggested several amendments to the Antidumping Act and the countervailing duty statute, but the chamber commented that changes to both measures should be considered separately, not as a part of the TRA.

Professor Richard N. Gardner (Columbia University)

Professor Gardner suggested amendments to section 331 of TRA bringing the United States into line with GATT standards by requiring proof of "material injury" before countervailing duties are applied.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten stated that section 331 should be amended to require injury to a U.S. party before countervailing duties are levied against the subsidized exports of a foreign government.

The Law Firm of Stitt, Hemmendinger and Kennedy

Mr. Hemmendinger stated that the Antidumping Act should be amended to authorize the withholding or revocation of a dumping finding in cases where imposition of dumping duties would be inappropriate or even harmful in light of changed economic conditions. Section 331 of the bill should be amended by reinstating the administration's original proposal revising the Countervailing Duty Law.

Such amendment would give the Secretary discretion whether or not to countervail, a discretion needed because of the foreign policy implications of countervailing duties. Further, an injury test should be added.

National Retail Merchants Association and the American Retail Federation

The associations, concerned with possible abuses, recommended the following amendments to the Antidumping Act: (1) The procedures outlined in section 321(b) of the Act be strengthened by requiring that a dumping determination be made only on the basis of a hearing conducted in accordance with the adjudicatory provisions of the Administrative Procedure Act, and that a single agency be given responsibility for making such determination; (2) Withholding of appraisement prior to an LTFV determination should be allowed only if irreparable injury and lack of alternative means of relief have created an emergency situation; (3) If dumping is found, the Customs Service be required to determine within a specified time whether dumping duties should be assessed; (4) Provision be made for the exclusion from the proceeding of specified exporters and importers whose products are not being sold at LTFV; (5) Immediate, full judicial review of dumping determinations be provided; (6) The proposed amendments which would exclude from the dumping computation foreign bounties or grants against which the U.S. has countervailed be adopted; and (7) The substantive criteria under the Act be modified and clarified.

With respect to the countervailing duty statute, the associations urged the clarification of "bounty or grant", the establishment of international standards to define practices which constitute permissible and non-permissible export subsidies, and that hearings be required in countervailing duty proceedings.

Professor Truman R. Graf, University of Wisconsin

Mr. Graf pointed out that the Common Market countries have export subsidies of up to 9 cents per pound on skim-milk-powder, 28 cents per pound on processed cheese and on dried whole milk, and 60 cents per pound on butter. If the U.S. is forced to buy dairy products from Common Market countries as proposed under the Atlantic Council program, it would be buying them from a heavily protected market.

Professor E. Fred Koller, University of Minnesota

Mr. Koller recommended that if the U.S. were to agree to enlarge or eliminate its dairy import quotas, there should be a firm requirement that subsidies be eliminated on export sales of dairy products by the EC countries.

United Rubber Cork, Linoleum and Plastic Workers of America

The union asserted that the Administration's proposal on countervailing duties will prove ineffective.

United States-Mexico Chamber of Commerce

The chamber asserted that the countervailing duties law, as written, is primitive and could be a major and unfair impediment to trade. H.R.

10710 is seriously deficient in not providing an injury test for dutiable articles as it does for nondutiable articles.

International Sino-American Trade Association

The association recommended that imports from less-developed countries be excluded from countervailing duties.

American Association of University Women, Legislative Program Committee

The committee suggested that the Secretary of the Treasury be required to consider the effect on the domestic industry and consumers when he exercises his authority to impose countervailing duties.

C. UNFAIR IMPORT PRACTICES

Government Officials

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle noted that the TRA of 1973 provides for fairer procedures in unfair trade practices involving patent infringement, with a greater role to be played by the Tariff Commission and provision for judicial review.

Members of Congress

Hon. Robert Taft, Jr. (Republican of Ohio)

Senator Taft supported the TRA's expanded authority for retaliation against unfair trade practices, stating that government should help to obtain a fair deal for U.S. industry in the world economy.

Witnesses With Specific Product Interest

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations supported the proposed amendments to section 337 of the Tariff Act of 1930 which would give the Tariff Commission exclusive authority to determine patent infringement cases, subject to appropriate judicial review by the Court of Customs and Patent Appeals.

United States-Japan Trade Council

The council favored repeal of section 337 of the Tariff Act of 1930.

Wine Institute

The institute requested that the TRA of 1973 be amended to impose quotas upon grape table wine produced in countries with trade barriers which effectively prevent the fair and competitive marketing of United States wines. The quotas should be based on each exporting country's respective market share for the calendar year ending December 31, 1971. Such quotas would freeze the market percentage of imported wines in order to prevent further erosion of the American wine industry's share of its own market.

Pulp and Paper Machinery Manufacturers' Association

The association proposed amendments to section 337 of the Tariff Act which would define sales at less than constructed value as unfair methods of competition.

General Witnesses*U.S. Chamber of Commerce*

The chamber proposed that the retaliatory authority in respect to unfair foreign import restrictions be broadened.

National Foreign Trade Council

The council favored the strengthening of U.S. measures against unfair trade practices.

American Federation of Labor and Congress of Industrial Organizations

The AFL-CIO asserted that the TRA fails to assure action against unfair trade practices of other nations.

American Importers Association

The association recommended the repeal of section 337. If not repealed, they urged that it be made explicit that the Tariff Commission should consider and rule upon all defenses that are available to defendants in patent infringement suits. No relief, including a temporary exclusion order, should be granted if the patent's validity has been challenged but not finally adjudicated and upheld by a court or by the Tariff Commission. The Tariff Commission should suspend its proceedings pending the outcome of a court case on the same patent, and should treat the court's decision as dispositive of the issues raised in its case. The bond applicable to goods imported after issuance of a temporary exclusion order should be assessed in the amount of a reasonable royalty.

The Law Firm of Stitt, Hemmendinger and Kennedy

Mr. Hemmendinger stated that section 341 should be amended to repeal section 337 of the Tariff Act of 1930. The provisions of section 337 discriminate against imports while providing little if any relief for domestic interests that cannot be obtained at present under the patent and antitrust laws. In lieu of repeal, the section should be amended as follows: (1) Require the Tariff Commission to consider and rule upon the same legal defenses that are available to defendants in patent infringement suits in Federal courts. (2) Require the Tariff Commission to suspend any section 337 proceeding concerning a patent that is at the same time involved in federal court litigation. (3) Preliminary relief should not be granted in cases where the patent has not been previously adjudicated and found valid. (4) Require the bond, during a temporary exclusion period, be equivalent to a reasonable royalty, not the full value of the goods.

National Retail Merchants Association and the American Retail Federation

The associations urged the TRA to limit section 337 of the Tariff Act of 1930 cases to alleged patent infringement.

Mr. Harvey Kaye and Mr. Paul Plaia, Jr.

Mr. Kaye and Mr. Plaia supported passage of section 341 along with certain amendments intended to improve section 337 of the Tariff Act of 1930. Specifically, they suggested that equitable defenses be permitted before the Tariff Commission; that patent violations and other unfair acts be handled in the same manner; that flexibility in the use of the exclusion remedy be permitted; that an effective date and procedures to handle pending cases be provided; that the relationship between CCPA action under section 337 and related Federal district court cases be clarified; and that language should be added to clarify whether exclusion orders would apply to government imports.

IV. Trade Relations With Countries Not Enjoying Nondiscriminatory (MFN) Treatment

Government Officials

Hon. George P. Shultz, Secretary of the Treasury

Secretary Shultz contended that the restrictions proposed by the House of Representatives found in section 402 on the use of authority to extend equal tariff treatment and the continued granting of credits to non-market economies would be extremely ill-advised. Substitute wording could be found to effectively express the concern of the Congress that issues of basic human rights not be ignored, without blocking the development of more normal economic relations with the non-market economy countries.

Hon. Peter M. Flanigan, Council on International Economic Policy

Mr. Flanigan remarked that the Administration has strong reservations regarding the restrictions in the TRA of 1973 on the granting of nondiscriminatory tariff treatment and government export credits in trade with communist countries.

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle remarked that the authority provided in the TRA of 1973 to extend nondiscriminatory tariff treatment to imports from certain communist countries is seen as a key element in the development of orderly economic relations with non-market economy countries. Present restrictions in the bill, however, may preclude such actions and, in turn prevent the 1972 U.S.-U.S.S.R. commercial agreement and the full settlement of lend-lease obligations from taking effect. The Administration hopes an accommodation can be reached in the language of the bill.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent stated that extending nondiscriminatory treatment to imports from non-market economy countries would normalize our commercial relations with these countries. It is anticipated such tariff treatment would be extended in the context of trade agreements or trade protocols. U.S. firms engaged in East-West trade would benefit through measures for the improvement of U.S. Government commercial representation in the local country and for other trade and business facilities.

The restrictions placed on the authority of Title IV by the House, which would reduce rather than expand trade with non-market economy countries, should be eliminated. Denial of U.S. credit for the purchase of eligible items will be less harmful to the non-market economy countries (who can get similar goods elsewhere) than to the United States, which stands to lose significant sales to foreign competitors.

Hon. Henry A. Kissinger, Secretary of State

Secretary Kissinger indicated that the most painful aspect of Title IV centers around the question of respect for human rights in the Soviet Union. The objective of those who wish to use trade policy to affect the evolution of Soviet society is exemplary; it does seem, however, that they have chosen the wrong vehicle and the wrong context. The Secretary stated that we seek détente with the Soviet Union for one overwhelming reason: both countries have the capability to destroy each other—and most of the rest of the world in the process. To us, détente is a process of managing relations with a potentially hostile country in order to preserve peace while maintaining our vital interest. There are sharp limits to what we can insist upon as part of this relationship.

The Secretary noted that when the President returned from the 1972 Moscow summit there was not any significant opposition to the course we were pursuing in the economic sphere. Certainly, the question of the Soviet domestic structure was not cited as an obstacle. Thus, to bring the issue to the fore now will involve profound questions of whether we negotiated in good faith.

The extension of nondiscriminatory tariff treatment would, for some time to come, have only a modest impact on Soviet exports to the United States, which are largely raw materials not now subject to substantial tariffs. Thus, in the Secretary's view, the major impact of the continued denial of MFN status to the Soviet Union would be political, not economic. The amendment relating to emigration would also effectively preclude further credits to the Soviet Union and most Eastern European countries. These credits are primarily for the benefit of the United States.

The Jackson-Vanik amendment, if adopted, will almost certainly prove counterproductive. The experience of the past 5 years demonstrates that as our relations with the Soviet Union improve, emigration rises as well. Although the present emigration picture is not as bright as we would like, the basic fact remains that as we have moved from confrontation to negotiation, emigration has increased.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons characterized the inclusion of Title IV in the TRA as an "unhappy marriage" of subject matters. In his opinion, Title IV has attracted far too much attention inasmuch as the TRA represents primarily an attempt to build a pact between the free nations of the world.

Hon. Ben B. Blackburn (Republican of Georgia)

Mr. Blackburn, in summarizing his opposition to trade with the Soviet Union, remarked that trade with the West under the thin guise of détente is the only device with which Soviet leaders can continue their drive for world domination at the expense of a mis-managed Soviet economy.

Hon. Clarence D. Long (Democrat of Maryland)

Mr. Long opposed economic concessions to the Soviet Union, unless that nation were to end its race for military superiority. The U.S.S.R. should participate with the U.S. in an agreement to limit military assistance and arms sales to countries in the Middle East and cease sponsoring or financing aggression.

Witnesses With Specific Product Interest*National Livestock Feeders Association*

The association opposed the injection of sociological considerations into the economic arena of international trade and favored deletion of section 402 from the proposed Trade Reform Act.

Great Plains Wheat, Inc.

Great Plains Wheat, Inc. opposed the so-called Vanik Amendment and stated that it is unrealistic to expect countries such as the Soviet Union to give preference to trade with the United States if we continue to impose what the Soviets have a right to feel are improper conditions to such trade.

U.S. National Fruit Export Council

The council opposed Title IV believing that social and political problems should be separate legislation.

Poultry and Egg Institute of America

The institute suggested that Communist countries present increasing opportunities for trade but that their state trading organizations and long-term credit demands put U.S. firms at a disadvantage. Government-industry partnerships are needed to surmount these obstacles to trade.

Manufacturing Chemists Association

The association supported granting most-favored-nation treatment to those countries now denied such treatment; however, the socio/political overtones of Title IV represent matters which should be considered, but not in trade legislation.

Outboard Marine Corporation

The corporation spokesman contended that the portion of Title IV of the TRA of 1973 dealing with market description should be extended to all Communist-dominated countries whether they are subject to most-favored-nation treatment or not. Furthermore, the requirement that both market disruptions and material injury be found should be changed by eliminating one or the other requirement. However, if both are retained, the material injury requirement should be reduced to de minimis injury.

National Machine Tool Builders' Association

The association contended that the administration should conclude trade agreements with communist countries that afford those countries the same access to United States market as that enjoyed by non-communist trading partners. The Soviet Union and other Eastern bloc countries are increasingly important markets that enable the United States to expand exports. In the interest of both a liberal trade policy and détente, the committee was urged to report a trade bill that does not attempt to tie the questions of non-discriminatory tariff treatment and Eximbank financing to the issue of Soviet emigration.

American Paper Institute

The institute supported granting a most-favored-nation status to the non-market economies, including the U.S.S.R.; however, Title IV of the bill has been substantially changed by the House modifications and amendments, and, if appropriate language cannot be found to express Congressional sentiments concerning human rights in the U.S.S.R. without jeopardizing an improvement in economic relations with the non-market economies, the removal of Title IV from the bill is recommended.

American Chain Association

The association urged the Committee to amend Title IV in accordance with the President's original proposal, which would authorize the President to extend non-discriminatory tariff treatment to Eastern bloc and other non-market economy countries without regard to their emigration policies and would leave untouched the Eximbank's current authority to assist in the financing of U.S. exports to such countries.

Aerospace Industries Association of America, Inc.

The association favored granting most-favored-nation treatment to communist countries.

Russian Dollar Bondholders Committee of the U.S.A.

The committee urged Congress to add a provision to the proposed TRA specifying that MFN treatment shall not be granted to, nor shall it continue in effect with respect to, any nation while that nation is in default on its debts to the United States Government or to U.S. citizens.

American Dinnerware Emergency Committee

The committee cautioned against granting MFN treatment to some communist countries.

Stone, Glass and Clay Coordinating Committee

The committee agreed with the provisions denying MFN treatment and credits to the Soviet Union and other communist dominated countries because of restrictive emigration policies. The committee pointed out that even paying full rates, these countries are increasing their penetration of the U.S. market.

Rubber Manufacturers Association

The association recommended that the passage of the TRA of 1973 not be delayed due to the controversy over linking MFN status to emigration laws.

Builders Hardware Manufacturers Association

The association stated that countries granted non-discriminatory treatment must adhere to international patent and trademark laws and U.S. antidumping laws. Section 321 permitting a determination of the foreign market value of merchandise from state-controlled economies on the basis of data from a non-state-controlled-economy country should be maintained in the TRA.

United States-Japan Trade Council

The council asserted that unless a satisfactory solution is found to Title IV, the entire trade bill will be in jeopardy. Therefore, it recommended the adoption of a mutually acceptable compromise that would promote trade normalization and fundamental human rights.

Burley and Dark Leaf Tobacco Export Association, Inc.

The association urged that the President, with the approval of Congress, be granted authority to grant Most-Favored-Nation treatment to Russia and most countries of Eastern Europe and Asia. The restrictions on emigration of the citizens of U.S.S.R. and other non-market countries are not germane to the Act and efforts to tie our trade opportunities to immigration restrictions may prove to be counterproductive.

Western Electronic Manufacturers Association

The association recommended modifying Title IV to permit the extension of MFN treatment and the granting of credits when such actions are in the best interest of the U.S.

Computer and Business Equipment Manufacturers Association

The association suggested the deletion of Title IV so that Congress can address the issue appropriately without delaying the initiation of the trade negotiations.

Machinery and Allied Products Institute

The Institute recommended that Title IV be deleted from TRA of 1973 and considered separately. These provisions relating to trade with Communist countries are not central to the bill's purposes of providing the President with negotiating authority for major multilateral trade negotiations.

Mr. James G. Afflect, American Cyanamid Company

The company recommended enactment of the MFN provisions of the original TRA of 1973 as proposed by the Administration and recommended the following safeguards: (1) Provide for import relief measures to be imposed by the President resulting from Tariff Commission findings of "market disruption and material injury"; (2) Protect industrial rights and manufacturing processes, trademarks and copyrights; (3) Arrange for settlement of commercial differences; and (4) Promote trade.

National Grain and Feed Association

The association argued that in the interest of improved economic relations and with a goal to expand commercial trade—and specifically to maximize U.S. exports of agricultural commodities—this title should be enacted in its original form. The retention of the Vanik amendments in legislation designed to improve relations between

nations would have a negative effect on improved relations and expanded trade.

American Soybean Association

The association supported the granting of nondiscriminatory treatment to the U.S.S.R. and opposed any effort to restrict granting credits to Eastern Europe.

Peer Bearing Company

Mr. Spungen suggested that MFN treatment, as has been granted to Poland and Yugoslavia, be accorded to Romania.

Scientific Apparatus Makers Association

The association favored the granting of nondiscriminatory tariff treatment to nonmarket countries without being conditioned by the emigration policy pursued by such countries. In exchange such countries should relax many present barriers to trade.

Aris Gloves, Inc.

Aris Gloves, Inc., urged that conditions be attached to the granting of MFN treatment to Czechoslovakia which would guarantee that that country will pay awards rendered by the Foreign Claims Settlement Commission pursuant to P.L. 85-604. Aris was awarded \$630,000 as compensation for expropriated facilities. Mr. Merrigan stated that the United States holds \$118 million in Czechoslovakian gold, and is in a position to negotiate with Czechoslovakia for the right to utilize this gold in the payment of the awards against Czechoslovakia.

Amworth Industries Corporation

The association recommended MFN tariff treatment for Hungary.

National Association of Scissors and Shears Manufacturers

The association expressed concern over granting MFN treatment to Communist nations, especially China.

Mr. Eugene L. Stewart, Attorney representing producers of flat glass

The companies wanted clarification of the criteria which are to guide the President in entering into trade agreements with Communist countries. The companies suggested a procedure for a Tariff Commission investigation to determine whether imports under such most-favored-nation treatment from such country or countries are causing material injury or market disruption to a domestic industry.

Atlanta Corporation

The corporation asserted that the granting of MFN status and the granting of credits should not be tied to the emigration policies of a country. While supporting MFN status to socialist countries as a whole, granting such status to Romania and Hungary would be especially beneficial to the United States economy.

General Witnesses

National Association of Manufacturers

The association favored the granting of nondiscriminatory tariff treatment to nonmarket countries but contended the MFN and credit-

arrangement provisions are too restrictive. NAM urged that the Committee revise provisions which tie such authority to determinations concerning a nation's emigration policy.

U.S. Chamber of Commerce

The chamber opposed Title IV in its currently drafted form but supported authority to extend nondiscriminatory tariff treatment to the Soviet Union and certain nations of Eastern Europe.

U.S. Council-International Chamber of Commerce

The Council urged that most-favored-nation treatment be granted on a bilateral basis to those non-market economies not now eligible for it. Economically, it is in the interest of the United States to bring the Communist countries into the trade and monetary system of the western industrialized countries.

Emergency Committee for American Trade

The committee supported the President's original proposal for authority to grant most-favored-nation treatment to non-market countries pursuant to trade agreements, and favored continuing existing authority to extend export credit to such countries.

National Foreign Trade Council

The council objected to linking the emigration policies with trade legislation and urged the according of nondiscriminatory tariff treatment, the continued extension of U.S. Government credits or guarantees, and the negotiation of bilateral commercial agreements with nonmarket economy countries.

East-West Trade Council

The council contended that denial of MFN to the socialist countries is an impediment to broadened trade. The technology of the West and the natural resources of the East make them obvious and compatible trading partners. Title IV of H.R. 10710, as passed by the House of Representatives, should be amended to eliminate the restrictive features of the freedom of emigration provisions.

National Council of Farmer Cooperatives

The National Council opposed the "all or nothing" approach of the Vanik amendment indicating that it could be counterproductive if pressed too far.

American Farm Bureau Federation

The AFBF urged deleting section 402, which makes extension of nondiscriminatory treatment to a nonmarket economy country dependent on reduction or removal of domestic restrictions on emigration of its citizens.

American Federation of Labor and Congress of Industrial Organizations

Mr. Meany opposed unrestricted extension of credit and the granting of MFN status to the Soviet Union.

American Importers Association

The association recommended that MFN treatment be extended on a negotiated basis, as originally requested by the Administration, to

those countries whose emigration policies do not fall within the sanctions of Title IV.

The Nation-Wide Committee on Import-Export Policy

The committee contended that the conditions laid down for MFN treatment of the U.S.S.R. are out of place in the trade legislation.

Committee for a National Trade Policy

The committee urged the President and Congress to negotiate a mutually acceptable accommodation on Title IV.

League of Women Voters of the U.S.

The league endorsed expansion of East-West trade and urged Congress and the Administration to continue to work toward a compromise which reflects the concerns of both sides.

International Trade Club of Chicago

The club opposed the Jackson-Vanik amendment and stated that emigration policy has no place in a trade bill.

Mid-America Council for International Economic Policy

The council encouraged the Congress to delete section 402 of Title IV of the proposed legislation.

International Executives Association, Inc.

The association asserted that legislation seeking to influence emigration or other domestic social policies of the U.S.S.R. and other nations does not properly belong in a trade bill. However, even if a suitable compromise on Title IV were not reached, the association would still support the overall bill.

Italy-America Chamber of Commerce, Inc.

The chamber commented that more analysis was needed on the trade effect of granting MFN to the Communist countries.

American Association of Port Authorities

The association supported liberalization and normalization of commerce with Communist-controlled countries, but seriously questioned the appropriateness and effectiveness of the TRA as a means of changing other nations' internal policies.

International Association of Great Lakes-Ports

The association suggested that section 402 of Title IV (Freedom of emigration in East-West trade) is a type of provision which is misplaced in the Trade Reform Act.

The New York Chamber of Commerce and Industry

The chamber contended that the Trade Reform Act is not the appropriate place to resolve political problems and opposed section 402 of Title IV in its present form.

Chicago Association of Commerce and Industry

The association firmly supported the goal of human rights for all individuals, including the right of freedom of emigration. However, the requirement of free emigration as a condition of equal tariff treat-

ment or the extension of credits will not in fact ensure that freedom. In fact, such action could have quite the opposite effect.

The National Council for United States-China Trade

The council favored the removal of section 402 of the TRA and asserted that most-favored-nation treatment for China could lead to agreements on commercial arbitration, protection of American patents, copyrights and trademarks, and various trade promotion activities of mutual benefit.

Ukrainian Congress Committee of America, National Captive Nations Committee

The committees contended that the U.S.S.R. is in violation of the Universal Declaration of Human Rights, the Genocide Convention, and other treaties to which they are signatory. The United States should obtain from the U.S.S.R. the following concessions for granting MFN status and credits: (a) Open and free emigration not only for Soviet Jews but all the different nationalities in the U.S.S.R.; (b) The reunion of families and the elimination of extortionate Soviet duty taxes on relief packages sent by Americans to the U.S.S.R.; (c) In the spirit of religious freedom, the resurrection of the Ukrainian Orthodox and Catholic Churches; (d) As advanced by many prominent American scholars, the beginning of direct diplomatic relations with the national republics since possible investments would be in their areas. Two of the republics (Ukraine and Byelorussia) are in the U.N., and the U.S.S.R. Constitution provides for such relations; (e) Surcease of psychiatric and labor camp incarceration of dissidents.

League of Free Romanians

Mr. Niculescu, Secretary General of the League of Free Romanians, recognized the general concern in Congress over the freedom of movement and emigration legislation in some countries, but a policy of denying MFN status is not a practical way of dealing with it. Mr. Niculescu is convinced that a normalization of trade relations with socialist countries is highly desirable and in time will help to stimulate the progressive opening up of these new societies. Romania has produced already a new liberalization policy concerning the freedom of movement and emigration legislation. The U.S. should consider granting MFN status to any country based on independent economic merits related to the U.S. economy and her international performance.

Research Center for Religion and Human Rights in Closed Societies

The center contended that morality, as well as economics, must govern our negotiations with the Soviet Union and other closed societies. To extend the MFN concession to the non-market-economy countries without justifiable concessions in return would mean that détente had become a one-way street. The provisions of the Jackson Amendment should be retained in the TRA.

Carl Marks and Company

Mr. Marks recommended that any legislation enabling MFN treatment to be granted to the U.S.S.R. be made contingent on the U.S.S.R.'s acknowledging and settling the defaulted and repudiated Russian Government Dollar Bond Debt.

Mr. Szabolcs Mesterhazy

Mr. Mesterhazy stated that section 402 as passed by the House of Representatives will not invite a nuclear war, but rather it will work for a peaceful world.

National Retail Merchants Association and the American Retail Federation

The associations supported the principle of expanding trade on a MFN basis, if consistent with the national interest, but contended that the right of emigration is a political and a foreign policy issue rather than an international trade issue.

National Constructors Association

The association contended that granting non-discriminatory tariff treatment to non-market economies will increase the overseas markets available to United States industries, thus facilitating the transition to free trade. The requirement that such nations provide their citizens with the right or opportunity to emigrate without undue fines, fees, or restrictions, as a precondition to the granting MFN status is unwise.

National Conference on Soviet Jewry

The conference stated that the Jackson Amendment symbolizes and gives substance to America's commitment to human rights and contended that the amendment has substantial historical precedence in American tradition and Congressional action. The conference stated that the Jackson amendment contains a realistic formula to employ U.S. economic power to secure fundamental human rights, and to link that right to something the Soviet Union wants from America.

National Interreligious Task Force on Soviet Jewry

The task force firmly supported the Jackson Amendment and asserted that this amendment can be a vital factor in aiding the basic aspirations of Soviet Jewry. Sister Margaret Ellen Traxler, chairman of the task force, stated that supporting the Jackson Amendment is a nonviolent action without arrogance that affirms the right to life of Russian Jews.

Academic Committee on Soviet Jewry

Professor Seymour Martin Lipset of the committee pointed out that the Jackson amendment relates to an issue of international law to which the Soviet Union is legally committed. Since a basic human right is involved in the emigration issue, it should not be thought of as solely or even as primarily a Jewish problem in the long run.

California Chamber of Commerce

The chamber urged the deletion of Title IV from the TRA of 1973 for the following reasons: (1) Such a law is likely to increase Soviet resentment and thus increase the difficulties faced by the Jews and other minorities in the Soviet Union. (2) The passage of Title IV would be a step away from a policy of détente. (3) The elimination of credits, and credit and investment guarantees would reduce the substantial growth which has occurred in recent years in U.S. export of peaceful, non-strategic goods to the U.S.S.R., the Socialist Countries of Eastern Europe and the People's Republic of China. (4) Title

IV is a serious judgment on the morality of another country and such an expression should not be handled as an amendment to legislation permitting the President to improve U.S. trade.

Mr. Paul A. Fabry, International House

Mr. Fabry stressed that an amendment prohibiting most-favored-nation tariffs and/or U.S. credits to the U.S.S.R. would have a damaging effect, and suggested that the Senate should strip the Act of the amendment requiring Presidential certification for Soviet adjustments of their internal laws on emigration.

National Council of Jewish Women, Inc.

The council favored safeguards against the violation of human rights, namely freedom of emigration, and strongly urged the adoption of this condition upon the granting of MFN as contained in the Jackson amendment.

Minneapolis Chamber of Commerce

The Chamber objected to Section 402, "Freedom of Emigration in East-West Trade," and urged that the section be stricken from the bill.

The International Center of New England, Inc.

The Center urged passage of a trade bill which either includes an amended Title IV extending MFN treatment unconditioned upon social concerns, or one which eliminates Title IV completely.

International Economic Policy Association

The association opposed the Jackson-Vanik amendment to Title IV and recommended that if it cannot be removed, that section 402 be revised to allow the President to extend MFN treatment if there is evidence of "reasonable progress" toward the goal of free emigration, along the lines of the amendment offered by Representatives Pettis and Corman.

California Chamber of Commerce

The Chamber contended that prohibiting the extension of nondiscriminatory tariff treatment to countries restricting emigration would adequately indicate to the Soviets and the rest of the world the importance the United States places on human rights. The additional far-reaching restrictions on credits and credit and investment guarantees would have a limiting effect on U.S. foreign policy and U.S. trade, delaying and frustrating the solution of many of the world's deep-seated problems for many years to come. Title IV should be deleted from H.R. 10710 and held in abeyance until such time as hearings can be held to study and weigh its possible effects on the Socialist countries and on the United States, and especially until we have had a chance to see what progress détente and quiet diplomacy will make in the Middle East talks.

Mr. Stanley B. Lubman

Mr. Lubman objected to the linking of tariff treatment to the emigration policy of a country.

Mr. Lubman favored the granting of nondiscriminatory tariff treatment to the People's Republic of China in the context of reciprocal Chinese acts to improve U.S.-China trade relations.

Society for Animal Protective Legislation

The Society urged that the TRA of 1973 be amended to deny most-favored-nation status to the U.S.S.R. until it agrees to a 10-year moratorium on commercial killing of whales.

American Association of University Women, Legislative Program Committee

The committee firmly supported granting MFN to countries not now enjoying such treatment.

V. Generalized System of Preferences**Government Officials***Hon. William D. Eberle, Special Representative for Trade Negotiations*

Ambassador Eberle pointed out that by increasing developing countries' access to developed country markets, the LDC's can expand export earnings and thereby enhance their economic growth. The United States would also benefit since a large share of the increased export earnings of the developing countries will return to the United States in the form of additional purchases here.

Hon. Henry A. Kissinger, Secretary of State

Secretary Kissinger pointed out that because of the economic interdependence of the developed and developing countries, we have placed heavy emphasis on the needs to expand the North-South flow of trade. One such measure is the extension of a system of generalized tariff preferences to developing countries. Although most other developed countries have already put such systems into effect, the United States does not yet have the legal authority to do so.

Members of Congress*Hon. Sam M. Gibbons (Democrat of Florida)*

Mr. Gibbons stated that the U.S. should grant tariff preferences to the exports of the LDC's. Strong safeguards are provided for American workers and industries.

Hon. Charles H. Percy (Republican of Illinois)

Senator Percy stated it is not in our interest to keep less developed countries less developed. Such countries should be given an incentive to develop and expand trade.

Witnesses With Specific Product Interest*Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturing Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute*

The associations stated that the granting of generalized preferences to LDC's should be contingent upon the existence of comparable programs on the part of other major developed countries. Moreover, recipient countries should not be permitted to accord preferential treatment to the products of other developed countries. Suggestions were

also made for reducing from 5 years to 3 years the time limits for Presidential review and report to Congress on the effect of these preferences on the domestic economy and the degree to which our trading partners are adhering to their obligations in this area of joint international cooperation. The potential for abuse of the preferences must be recognized.

American Paper Institute

The institute supported Title V on the condition that the developing countries eliminate "reverse" preferences to other developed nations by January 1976.

3M Company

Mr. Heltzer considered Title V one of the main trade liberalization sections of the TRA.

Aerospace Industries Association of America, Inc.

The association supported generalized tariff preferences, provided that any resulting inequities could and would be handled through other procedures.

American Dinnerware Emergency Committee

The committee supported the provision that no preferences can be given where the article is or becomes subject to import relief, but cautioned against granting tariff preferences to less-developed countries because of the pottery industry's particular vulnerability to imports from low wage countries.

Stone, Glass and Clay Coordinating Committee

The committee stated that allowing duty-free entry by LDC's can cause undue harm to U.S. industries and accelerate the impetus for multinational corporations to locate in LDC countries.

Footwear Division, Rubber Manufacturers Association

The association urged the embodiment into law of the Administration's stated intention of excluding certain import-sensitive products, such as rubber footwear, from duty-free preferential treatment to less developed countries.

U.S. Committee of Wire Rope Producers

The committee suggested that the granting of preferences should not occur on a "give-away-basis," but should be based on sound business judgments. The committee suggested that proponents of the policy should label, quantify, and enumerate the prospective trade effects under this liberalization.

American Footwear Industries Association

The association urged exempting products competitive with those of industries which are experiencing disruptive import competition, such as the nonrubber footwear industry, from the generalized system of preferences.

Footwear Division

The association urged excluding by legislation import-sensitive products, such as rubber footwear, from the generalized system of preferences.

United States-Japan Trade Council

The council supported the generalized system of preferences.

Burley and Dark Leaf Tobacco Export Association, Inc.

The association opposed granting special tariff concessions to developing nations, because all nations, including the developing nations, should be treated equally in any transaction in international trade.

Machinery and Allied Products Institute

The institute endorsed the enabling of the President to grant tariff preferences to articles from the less developed countries.

National Grain and Feed Association

The association indicated that this proposed title, properly administered, would and should work for the general welfare of the world, provided that proper safeguards and specific limitations become a part of the general understanding between the developed and less developed countries. The goal in granting generalized preferences to the less developed countries should be to assist them to graduate to the MFN category.

Antifriction Bearing Manufacturers Association, Inc.

The association advocated that where imported products have resulted in serious injury to a domestic industry, and an affirmative determination by the Tariff Commission has ensued, such imported products should be exempt from the eligible product list for tariff preferences whether or not any relief measures have been taken. In addition, the prescribed percentage of value contributed in the preferred country should not be less than fifty percent.

Cigar Association of America, Inc.

The association recommended enactment of the generalized system of preferences.

Imported Hardwood Products Association, Inc.

The association opposed limitations in the TRA which would exempt a developing nation from preferential treatment on articles for which it supplies more than 50 percent of the total value of U.S. imports, or where U.S. imports of the article exceed \$25 million during any calendar year.

Mr. Eugene L. Stewart, Attorney representing producers of flat glass

The companies recommended that section 504 of the bill be amended to provide for the use of quantitative import restrictions on articles imported into the United States from *developed* countries in order to reserve to beneficiary *developing* countries a reasonable share of the growth in apparent domestic consumption of such articles.

General Witnesses*National Association of Manufacturers*

The association supported the provisions to promote the development of LDC's but the provisions should include adequate safeguards for U.S. producers and prevent assistance to countries that have expropriated U.S. property without prompt and adequate compensation.

U.S. Chamber of Commerce

The chamber supported the establishment of a system of generalized preferences for the exports of manufactured, semimanufactured, and other selected products of developing nations.

Emergency Committee for American Trade

The committee recommended that this Title be improved by inserting a provision requiring the President to hold public hearings in order to ascertain the economic effects that would follow the elimination of any tariff preference once it was extended.

National Foreign Trade Council

The council supported the proposed bill's provision for the authority, with necessary safeguards, to implement a system of tariff preferences for less developed countries.

Overseas Development Council

The council asserted that the establishment of tariff preferences by the United States would honor a commitment dating from 1970 and would indicate U.S. willingness to offset some of the trade disadvantages confronting developing nations. Those provisions concerning the rules of origin, or the "value added" by beneficiary countries, and the \$25 million/50 percent limitation, or "competitive need" formula, could be disadvantageous. New and small exporters would be able to benefit from a lower percentage range than 35 to 50 percent, as presently provided in the U.S. tariff preferences. The "competitive need" formula represents a possible restrictive device, one which could significantly limit the short-run benefits obtained from the scheme.

Mr. Charles R. Frank, Jr. (Brookings Institution)

Mr. Frank stated that the United States is becoming increasingly dependent on less developed countries as sources of supply. He maintained that if we are to be ensured continued access to these potential supplies we must grant these countries access to our markets. In his view, assurance of market access is more valuable than promises of foreign aid or tariff preferences.

American Farm Bureau Federation

The AFBF suggested that Title V which deals with generalized tariff preferences for developing countries be deleted since it violates the basic principle of non-discriminatory treatment.

American Federation of Labor and Congress of Industrial Organizations

The AFL-CIO considered as a serious shortcoming the encouragement which would be provided to the entry of goods from low-wage nations at special or zero tariffs.

Committee for a National Trade Policy

The committee contended that the following aspects of Title V render tariff preferences to developing countries inadequate: (a) the quantitative limits restricting the eligibility of supplying countries, (b) the requirement that the President judge whether particular industries in particular developing countries need such preferences, (c) the overly permissive "import relief" criteria, and (d) the overly permissive Presidential authority to withdraw tariff preferences.

League of Women Voters of the U.S.

The league supported the provision which would extend duty-free treatment to imports from less-developed countries, and the league urged public hearings whenever preferences are to be withdrawn.

International Executives Association, Inc.

The association contended that once duty free treatment has been established, adequate opportunity for public hearing should be provided for those who might be adversely affected if such treatment were suspended at a later time.

Italy-American Chamber of Commerce, Inc.

The chamber expressed the view that since other developed countries have made tariff preferences available to developing countries, it is appropriate for the United States to also do so.

American Association of Port Authorities

The association supported Title V, but it recommended that public hearings precede any retraction of tariff preferences.

The New York Chamber of Commerce and Industry

The chamber agreed to the granting of preferential treatment to developing countries but not to countries that grant reverse preferences to other industrialized countries.

Chicago Association of Commerce and Industry

The association stated that preferences should be granted only on a non-discriminatory basis—not on the basis of some special historical relationship such as that of a former colony. Developing nations should not be permitted to extend reverse preferences to certain industrialized nations and not to others.

Professor Richard N. Gardner (Columbia University)

Professor Gardner recommended deleting paragraph (c) (1) of section 504, which makes preferential treatment unavailable for the product of a beneficiary developing country when that country supplies more than \$25 million of that product during a calendar year.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten urged United States liberalization of import policies vis-a-vis developing countries.

International Union of Electrical, Radio and Machine Workers; International Brotherhood of Electrical Workers; and the International Association of Machinists

The unions argued that special zero tariffs on imports from “so called” emerging nations such as Taiwan, Singapore and other low wage nations would give even more incentive for the shifting of high technology plants abroad.

Council of the Americas

The council favored the proposed system of generalized tariff preferences on the grounds that it would give Latin America the opportunity it needs to expand its exports. The council pointed out, however, that section 504(c), the “competitive need” limitation might prove to be too rigid. The council suggested several amendments whereby the

safeguards of Title V, and the "competitive need" formulation, could be clarified and made less restrictive.

National Retail Merchants Association and the American Retail Federation

The associations supported the general purposes of Title V.

National Constructors Association

The association supported the provision providing the President with authority to grant generalized tariff preferences to imports from developing nations in concert with other industrialized nations.

Mr. Sherman E. Katz

Mr. Katz suggested that (1) articles ineligible for preferences, rather than articles eligible, should be listed for Tariff Commission consideration; (2) "countries" rather than "country" should appear throughout section 503(b); (3) local value content requirements should be a joint responsibility of the Secretaries of Treasury and State; (4) flexibility in the administration of section 503(c) should be provided; (5) public hearings should be required before preferences can be retracted; (6) a gradation of preference levels should be provided; and (7) the "competitive need" formulation should be either eliminated, or alternatively, the \$25 million/50 percent provision should be made conjunctive.

International Economic Policy Association

The association recommended amending section 502(c)(4) (in reference to withholding preferences in cases of uncompensated expropriation) to add: "unless the dispute has been referred to an international arbitration tribunal."

United States-Mexico Chamber of Commerce

The chamber supported the provision for a generalized system of preferences for the developing nations, and urged that the elaborate procedures and safeguards which are provided in this title not be implemented so as to defeat the main objectives of this provision.

International Sino-American Trade Association

The association approves the proposed scheme of generalized tariff preferences for developing countries.

Rule of Law Committee

The committee contended that the President, in determining whether to grant or withdraw tariff preferences to a particular country, should be required to take into account whether that country has nationalized, expropriated, or seized ownership or control of property of U.S. citizens, or of property beneficiary owned by U.S. citizens, without provision for payment of prompt, adequate compensation. The President should not extend tariff preferences and withdraw those granted if the nation under consideration had acted in the above manner. Congress should remove all doubt as to whether tariff preferences will be available to countries who have expropriated without compensation the property of U.S. nations.

VI. International Drug Control and Miscellaneous Provisions and Suggestions

Government Officials

Hon. Damian O. Folch, Secretary of Commerce, Commonwealth of Puerto Rico

The Secretary claimed that Puerto Rico is entitled to, and must be accorded, separate consideration under the auspices of the General Agreement on Tariffs and Trade. The Commonwealth urges that the United States should not negotiate or adopt any tariff reductions or other measures which would tend to affect adversely the shipment of products from Puerto Rico to the United States without giving serious consideration to the specific Puerto Rican interests in each case.

Members of Congress

Hon. Robert Taft, Jr. (Republican of Ohio)

Senator Taft reminded the Committee of the importance of increased industrial productivity and called for an enactment of his bill (S. 1752) to revitalize the U.S. Productivity Commission.

Witnesses With Specific Product Interest

Great Plains Wheat, Inc.

Great Plains Wheat, Inc. mentioned that Japan, the European Community and the Eastern Bloc countries represent areas to which the United States may hope to gain greater access for its agricultural products through negotiations.

Allegheny Ludlum Industries, Inc.

The company spokesman noted that trade legislation must contain a coordinated economic policy that recognizes that bloc and cash-flow economies differ from the U.S. system, and that capital formation and investment funds are provided differently by those economies.

Liner Council, American Institute of Merchant Shipping

The spokesman for the council stated that Congress has enacted a number of programs designed to put U.S. operators on a general cost parity with their foreign competitors. This parity-based subsidy system, he remarked, has worked well and generally accomplished its purposes. Nevertheless, parity with regard to costs is meaningless unless there is also parity of opportunity to compete equally for commercial cargoes. U.S.-flag liner operators are currently denied the right to enter into cargo sharing arrangements; however, the recently formulated international Code of Conduct for Liner Conferences will include provisions for cargo sharing. As a result, the council proposed an amendment to H.R. 10710 (Section 129—Liner Cargo Sharing Agreements) that would require the Secretary of Commerce to determine what, if any, form of cargo sharing arrangement is in the national interest and the interest of our liner fleet.

Aerospace Industries Association of America, Inc.

The association asserted that certain export control regulations should be terminated or suspended. More liberalized granting of

Export-Import Bank loans for the purchase of U.S. produced aircraft should be provided. The Export-Import Bank has sometimes disallowed such loans because of the short-term dollar position of the customers' central bank.

The association also recommended government support of research and development, and the suspension of antitrust laws in certain cases where international joint ventures could result in the promotion of U.S. trade.

International Marine Expositions, Inc.

The corporation suggested there should be equality of tariff treatment on boat imports into the United States and Canada, as opposed to the relatively high tariffs presently levied on pleasure boats by the Canadian government. There is equality of tariff treatment for automobiles and snowmobiles under the United States-Canadian Automotive Products Agreement of 1965. There is no rational basis on which to make a distinction between boats, which are not covered, and other transportation equipment which is covered by the accord.

Russian Dollar Bondholders Committee of the USA

The committee stated that the United States Government should broaden the applicability of the Johnson Debt Default Act.

National Board of Fur Farm Organizations

The board requested that the current duty on silver fox furs and the embargo on seven specific furs from the Soviet Union and the People's Republic of China be maintained under the TRA.

U.S. Committee of Wire Rope Producers

The committee suggested that the Voluntary Restraint Arrangements need to be reviewed because they entail distortions in trade that can be very burdensome.

American Imported Automobile Dealers Association

The association strongly urged the Committee to reject the proposal of the UAW to impose quantitative restraints on the importation of automobiles into the United States, asserting that the imposition would be counterproductive in terms of employment, fuel consumption, and competitive benefits for the American economy.

Imported Car Committee of the National Automobile Dealers Association

The association urged the Committee to reject the portion of the Burke-Hartke bill which proposed comprehensive restraints on imports by category and country (imports would be rolled back to the average level of 1965-1969), and to reject the United Automobile Workers (UAW) proposal on temporarily limiting imports of automobiles.

United States-Japan Trade Council

The council recommended deletion of section 606 dealing with international drug traffic.

Lead-Zinc Producers Committee

The committee urged passage of two bills to encourage investment in domestic lead and zinc production facilities: (1) a bill which would

suspend the duty on zinc contained in ores and concentrates (H.R. 6191 and S. 2184); and (2) a flexible-tariff bill (H.R. 6437) which would allow necessary imports of lead and zinc materials at low duty rates, but which would impose higher duties on excessive imports.

Brick Institute of Texas

The institute took no position on the TRA, but expressed concern regarding imports of "low-unit-value," substandard ceramic bricks from Mexico. The institute urged better and stricter enforcement of U.S. Customs Regulations covering imports of ceramic bricks.

Mr. James G. Afflect, American Cyanamid Company

The company recommended that the proposed Act should recognize that the environmental control standards of the U.S. and other countries from which products would be imported into the U.S. must be a factor in determining international tariff and trade policy between the U.S. and other nations.

Florida Fruit and Vegetable Association

The association urged that the TRA of 1973 be amended to include the provisions of the Fresh Fruit and Vegetables Market-Sharing Act of 1972 (H.R. 5413 and H.R. 1500). This legislation marks a shift away from rigid protection of domestic industry to a recognition of the claim of foreign countries to a fair share of the U.S. market subject to a ceiling.

Glass Workers' Protective Leagues

The leagues recommended that the Committee consider the provisions of the Burke-Hartke proposal, so that millions of Americans can be put back to work.

Land O'Lakes, Inc.

The company proposed that Presidential Proclamations under the emergency provision of section 22 of the Agricultural Adjustment Act, as amended, should be limited strictly to instances when the U.S. Tariff Commission determines that actual emergency conditions exist.

The company contended that imported food products should be produced and processed under health and sanitation standards comparable to those maintained in the United States, and such products of a perishable nature should possess the date of manufacture.

Antifriction Bearing Manufacturers Association, Inc.

The association stated that the reliability of import statistics should be improved and procedures established to assure validity.

Avocado Industry Associations

The avocado industry contended that it is in the national interest to encourage the development of the U.S. avocado industry and that tariff policy should be consistent to and supportive of national domestic policy and goals. Present tariff rates on avocados are within acceptable levels compatible with U.S. agricultural policy and do not unduly burden foreign producers. The industry urged that to insure domestic plantings, which require 8 to 10 years advance planning, the current rates of duty should be retained. Such tariff rates are essential to the continued development of the U.S. industry.

American Maritime Association & Independent U.S. Tanker Owners' Committee

The associations recommended an amendment to HR 10710 to obtain specific portion of U.S. oil imports for U.S. ships.

The Cordage Institute of the United States

The institute recommended that national security as used in connection with international trade, should be interpreted most broadly so that the U.S. does not allow imports to so cripple any domestic industry that we become wholly dependent on foreign sources of supply. The institute contended that the improvement of classification and of statistical reporting by the Executive Branch are essential to the proper administration of the "TRA of 1973."

Ceramic Manufacturers' Association

The association recommended an amendment to establish a separate tariff item for parts of semiconductors, in part ceramic, at rates of duty more than twice the current MFN rate applicable to such articles.

General Witnesses

Emergency Committee for American Trade

The committee agreed that international drug control is of high national priority, but suggested that it not be dealt with in a bill dealing with normal commercial trade.

National Council of Farmer Cooperatives

The National Council opposed the Burke-Hartke bill (S. 151), and stated that it would establish sweeping and dangerous unilaterally-imposed import quotas.

American Federation of Labor and Congress of Industrial Organizations

Mr. Meany recommended new legislation to regulate exports of capital and new technology. He proposed regulation of multinational firms, including banks, because these firms are the major exporters and importers. In addition, the AFL-CIO urged a re-examination and limit of the Export-Import Bank which provides concessionary loans, clear labelling of imported products and components, and improvement of trade and production statistics. Finally, it urged repeal of tariff items 806.30 and 807.00.

American Importers Association

The association suggested that section 606, dealing with the embargo of trade and investment with countries not taking adequate steps to prevent narcotic drugs from entering the U.S., has no proper place in a trade bill.

Committee for a National Trade Policy

The committee recommended that where the President finds that imports are impairing the national security by diminishing the dependable domestic supplies of a particular product he should develop a special assistance program to strengthen that particular sector of the economy. Such a program should be systematically monitored by the Congress and the President should report to Congress every year on its implementation.

The committee recommended amending the TRA to repeal the 1964 legislation triggering quota controls on meat imports. It further recommended that the President be authorized to terminate the embargo on seven furskins from the Soviet Union and The People's Republic of China.

International Association of Great Lakes Ports

Like the emigration issue, the association contended that section 606 of Title VI dealing with international drug control, was misplaced. The association suggested that stronger enforcement of existing regulations might well be in order.

International Union of Electrical, Radio and Machine Workers; International Brotherhood of Electrical Workers; and The International Association of Machinists

The unions argued that the bill contained no safeguards against the continued export of aerospace and electronic technology and further contended that the exodus of sophisticated technology, much of it federally subsidized, was eroding U.S. technological trading advantages abroad.

The National Council for U.S.-China Trade

The council favored the repeal of the present embargo of imports into the United States of certain furs and skins from China. The repeal provision originally contained in the Administration bill was eliminated by the House in H.R. 10710.

Professor E. Fred Koller, University of Minnesota

Mr. Koller suggested that foreign dairy imports should be required to meet the same health and sanitary standards as required of domestic products.

International Economic Policy Association

The association recommended the following revisions of H.R. 10710: Page 5, Section 2, Statement of Purposes, subsection (2), after the word "trade" and before the period, insert the words: "Characterized, insofar as possible by the application of the principles of reciprocal, national, and most-favored-nation treatment for trade and services, including tourism, transportation, technology, accounting, insurance construction, achitecture and investments."

Page 147, Section 601, Definitions, insert the following new subsections (10) and (11) after subsection (9) on line 9 as follows:

"(10) The term 'trade' includes commerce in manufactures, commodities, and services, including tourism, technology, transportation, accounting, insurance, construction, architectural services and investments.

"(11) The term 'commerce' includes commerce in goods as well as services including tourism, technology, transportation, accounting, insurance, construction, architectural services and investments."

American Association of University Women, Legislative Program Committee

The committee contended that section 606 regarding control of drugs should be eliminated from the TRA because it is inappropriate for inclusion in trade legislation and can be handled best through other means.

VII. Access to Supplies of Raw Materials

Government Officials

Hon. George P. Shultz, Secretary of the Treasury

Secretary Shultz stated that the United States ought to have authority to negotiate with major foreign suppliers adequate commitments on the availability of key raw materials. At the same time we need authority to withdraw trade concession benefits from countries that impose illegal or unreasonable restraint on sale of commodities in short supply. Mr. Shultz believes however, in contrast to Senator Mondale, that there is sufficient authority in the bill to do this (section 301).

Secretary Shultz argued that solution to the energy problem can only come about through the development of new forms of international cooperation. Such cooperative arrangement would encompass major energy producers as well as consumers.

Hon. William D. Eberle, Special Representative for Trade Negotiations

Ambassador Eberle expressed approval of the concepts in proposed amendments to the TRA of 1973 concerning short supply problems and indicated some detailed changes will be suggested to improve the effectiveness of the amendments.

Hon. Earl L. Butz, Secretary of Agriculture

Secretary Butz pointed out that there have been dramatic changes in world commerce since last May—most dramatically in the case of oil—but in agriculture as well. In the wake of world crop shortfalls in 1972, the concerns of the trading nations have broadened to include access to supply as well as access to markets.

Hon. Frederick B. Dent, Secretary of Commerce

Secretary Dent remarked that while the present period of widespread supply difficulties will surely abate, short supplies and rising prices of some commodities can be expected periodically. This state of affairs will cause a shift in international concern from sole emphasis on market access to one including equitable access to supplies. The solutions to these problems reside in international cooperation and consultations, and not through shortsighted unilateral actions.

Hon. Henry A. Kissinger, Secretary of State

Secretary Kissinger remarked that past trade negotiations have largely been concerned with access to export markets, rather than access to vital raw materials. As a result, existing international trading rules deal inadequately with the conditions governing such access. In the trade negotiations before us we intend to deal with the issue of bringing export restrictions, as well as import restrictions, under agreed forms of international discipline.

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons stated that an amendment relating to international agreements on the problem of short supply and export controls should be included in the TRA.

Hon. Robert Taft, Jr. (Republican of Ohio)

Senator Taft called for negotiations to assure better access to materials such as petroleum, in short supply, but said that Congress should retain a role in any decision to retaliate against embargoes.

Witnesses With Specific Product Interest

National Livestock Feeders Association

The association vigorously opposed any move by Congress for mandatory export controls.

Manufacturing Chemists' Association, Synthetic Organic Chemical Manufacturers Association, The Society of the Plastics Industry, Dry Color Manufacturers Association, and The Fertilizer Institute

The associations requested that the TRA be amended to provide the requisite mechanisms for grappling with the problems of oil embargoes, sharp price increases in oil and oil-derived products, the need to protect our imports rather than our exports, and the changed power position of many less developed countries.

National Electrical Manufacturers Association

NEMA endorsed STR's proposed amendments to Title I relating to problems of access to supply and export restraints. NEMA proposed that the President be given authority to retaliate against discriminatory export restrictions.

Electronic Industries Association

The association supported carefully drawn amendments which would authorize the President to retaliate against any nation which embargoes exports to the U.S. of any important supplies or material.

General Electric Co.

Mr. Kennedy supported the Mondale-Ribicoff amendments.

Stone, Glass and Clay Coordinating Committee

The committee suggested the need for regulation of exports, as well as imports, because domestic producers of soda ash have been increasing their exports of soda ash, despite the fact of a shortage in domestic supply causing temporary plant shutdowns and unemployment.

Western Electronic Manufacturers Association

The association favored adopting language which would seek to enlarge the scope and powers of GATT to deal with raw material shortages, and if required, to permit retaliation against unjustified foreign export restrictions.

Computer and Business Equipment Manufacturers Association

The association recommended that trade negotiations be expanded to address the problem of equitable access to supplies.

Mr. James G. Affect, American Cyanamid Company

The company expressed concern about the proposals to restrict American exports of raw materials and suggested that Congress make a separate study of this situation to determine if special legislation is warranted.

Glass Workers' Protective Leagues

The league stated that soda ash, which is one of the most important ingredients in glass making, is in short supply. Too much soda ash is being exported thereby threatening curtailment of operations of the domestic glass industry.

American Soybean Association

The association stated that access to supplies of raw materials and non-interference in their free flow is worthy of examination in the context of international trade negotiations because such access is at the heart of world trade.

Cigar Association of America, Inc.

The association favored a provision on access to supplies since the U.S. production of filler-type tobacco is far short of U.S. needs, and it is steadily declining.

National Metal and Steel Corporation

The corporation supported the Mondale-Ribicoff amendments and recommended revisions covering the following area: (1) Specific criteria should be met before controls may be imposed; (2) Procedural safeguards before controls may be imposed; (3) Adjustment assistance for workers and employers injured by the controls.

General Witnesses*National Association of Manufacturers*

The association supported multilateral discussions of means to guarantee international access to scarce raw materials.

U.S. Chamber of Commerce

The chamber supported revision of the bill to mandate U.S. negotiators to deal with the problems of access to supplies of raw materials in short supply.

Emergency Committee for American Trade

The committee supported the suggestion that international rules promoting fair access to supplies should be improved and that consultative mechanisms should be established through which problems of supply shortages could be accommodated. Sections 101, 102, and 301 of the TRA could be interpreted—or easily amended—to deal with the issue of retaliation when the U.S. is shut off from access to supplies.

National Foreign Trade Council

The council urged modification of the proposed provisions to strengthen international agreements to assure non-discriminatory access to supplies of primary raw materials. The Council recommended that authority be provided to negotiate agreements with other nations to assure access to supplies of primary raw materials.

Overseas Development Council

The council asserted that the TRA does not, in its present form, reflect the concerns which have arisen within the past 6 months regarding natural resource scarcities. The council contended that the amendments presented by Senators Mondale and Ribicoff represent a

comprehensive and well-reasoned approach to negotiations on the question of access to markets for food and raw materials.

American Farm Bureau Federation

The AFBF strongly opposed any proposal to limit or control exports of U.S. agricultural commodities, or to provide for U.S. participation in development or maintenance of internationally controlled reserves of agricultural commodities.

American Federation of Labor and Congress of Industrial Organizations

Mr. Meany contended that the Government should establish legislative machinery to control imports and exports in order to control raw materials.

League of Women Voters of the U.S.

The league asserted that policies are needed that will minimize supply shortages and assure fair access to supplies of food and raw material.

International Trade Club of Chicago

The club supported the Mondale amendment to insure access to foreign sources of raw materials.

International Executives Association, Inc.

The association supported the objective of averting world shortages of key raw material, but questioned the effectiveness of retaliatory sanctions.

American Association of Port Authorities

The association supported the principle expressed in the Mondale-Ribicoff amendments.

International Association of Great Lakes Ports

The association stated that Senator Mondale's contention that it is naive to assume our trading partners will give us access to their markets if we cannot assure stability of supplies is a correct one. The United States must avoid a regressive trade philosophy, and, the association stated, it is imperative that a world food bank be established to meet commitments to developing countries.

The New York Chamber of Commerce and Industry

The chamber approved and endorsed the incorporation of the concept proposed by Senator Mondale to make access to supplies of raw materials one of the major goals of United States negotiations.

Professor Richard N. Gardner (Columbia University)

Professor Gardner supported the Mondale-Ribicoff amendments, but hoped that in their final form the amendments would specify that the President's retaliation authority be used in conformity with the GATT or other multilateral agreements dealing with access to supplies.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten said the U.S. needs a policy to increase the supply of products available in our economy, and advocated that the Mondale-Ribicoff amendments be adopted.

Mr. Bergsten proposed amending the TRA to authorize the negotiation of new international rules to govern export limitations.

Minneapolis Chamber of Commerce

The chamber stated that the amendments introduced by Senator Mondale represent a constructive first step in dealing with the problem, but urged insuring that the amendments do not restrict the ultimate success of the trade negotiations.

Orville L. Freeman, Business International

Mr. Freeman stated that serious negotiations should begin on how to cooperate in the use of world's resources.

Foreign Trade Association of Southern California

The association strongly supported the amendments proposed by Senator Mondale. In particular, the association supported the standby authority for the President to withdraw trade concessions or to restrict export shipments to countries which impose illegal or unreasonable restraints on sales to this country of commodities in short supply.

International Economic Policy Association

The association recommended giving the President authority to work toward the achievement of multilateral rules for access to resources, including but not limited to, petroleum. The Mondale-Ribicoff amendments are a good start in establishing the objectives for negotiation and providing the President with authority to respond to discriminatory export controls, but these amendments do not offer a satisfactory set of generally agreed-upon rules of access.

American Association of University Women, Legislative Program Committee

The committee recommended that the President be given authority to negotiate agreements providing for international standards to govern limitation of exports of scarce resources, so as to assure all countries reasonable access to scarce resource markets.

VIII. Taxation and Investment

Members of Congress

Hon. Sam M. Gibbons (Democrat of Florida)

Mr. Gibbons stated that the House passed bill does not address the issue of U.S. taxation of foreign source income. These issues should be discussed when further action is taken up on general tax reform.

Hon. Vance Hartke (Democrat of Indiana)

Senator Hartke stated that the single, most direct tax loophole available to corporations which move abroad is the foreign tax credit. Domestic oil producers must pay for mineral rights to land through royalty payments, which are treated as a business expense deduction; however, the same payments by a foreign producer qualify as a tax credit. At present, our tax laws make overseas investment more attractive than domestic investment. In the postwar years, the United States has been the only major country in the world whose share of world ex-

ports has decreased and whose share of world imports has increased. One section of the present tariff code (item 807) actually encourages American multinationals to do their manufacturing in other countries in order to bring the finished product back into the United States. Under present law, U.S. corporations are relieved for paying taxes on any income arising from the firm's transfer of a patent or similar right to foreign companies; this encourages U.S. firms to export their technology. The Foreign Trade and Investment Act (S. 151) is designed to put our industry on an even footing with foreign competition, make domestic investment just as attractive as investment abroad, and assure America of full employment with a diversified product base.

Witnesses With Specific Product Interest

National Machine Tool Builders' Association

The association opposed changes in current law with respect to the taxation of foreign source income, and urged that the capital recovery provisions of the 1971 Revenue Act be retained.

Aerospace Industries Association of America, Inc.

The association proposed that current regulations allowing foreign tax credits against U.S. tax liabilities, regulations permitting no taxation of undistributed profits on foreign operations, current regulations relating to the Domestic International Sales Corp. (DISC), and current regulations allowing accelerated depreciation of foreign assets all be retained in their present form.

Stone, Glass and Clay Coordinating Committee

The committee stated that the House-passed bill does not address the foreign tax credit bonanza, or the fact that earnings of U.S. foreign subsidiaries are taxed only when and if repatriated. This multi-billion dollar bonanza given to U.S. multinational corporations results in an additional burden on the U.S. taxpayer and in an exodus of U.S. capital, technology and jobs placed overseas, rather than in investment, development, exploration and jobs vitally needed in the U.S.

Footwear Division, Rubber Manufacturers Association

The association approved the decision by the Ways and Means Committee to remove overseas taxation matters from the TRA of 1973.

Western Electronic Manufacturers Association

The association hoped that any tax law changes affecting U.S. trade and the international activities of U.S. firms would be made with the objectives of increasing U.S. exports and providing competitive opportunities for U.S. companies abroad. The association urged Congress not to enact tax laws and regulations which would handicap U.S. firms and permit foreign competitors to seize market opportunities in a manner detrimental to U.S. industry and labor.

Mr. James G. Affect, American Cyanamid Company

The company suggested that the current laws and practices governing the taxation of foreign source income should be retained without change to avoid penalizing American business by placing it at a com-

petitive disadvantage with respect to foreign companies in both the foreign and domestic markets.

Heavy Duty Truck Manufacturers Association

The association contended that multinational corporations, and heavy duty truck producers in particular, make positive contributions to U.S. employment and the balance of payments. In light of this, taxation of such firms should not discriminate against their foreign activities and their foreign investment should be encouraged.

General Witnesses

National Association of Manufacturers

The association favored the exclusion of tax proposals from the TRA of 1973.

U.S. Chamber of Commerce

The chamber recommended that tax reform as it relates to foreign investment be considered in the context of overall tax policy.

U.S. Council-International Chamber of Commerce

The council contended that the TRA should not be burdened with provisions relating to taxes on foreign-source income. Such issues should be treated independently of trade legislation.

National Foreign Trade Council

The council requested permission to submit further documentation of its views, if further amendments are proposed which deal with foreign business income, "orderly marketing" quotas, or controls on transfer of capital and technology.

United Automobile, Aerospace and Agricultural Implement Workers of America

The union recommended repeal of all tax preferences for foreign investment and revision of the DISC legislation.

American Federation of Labor and Congress of Industrial Organizations

Mr. Meany recommended the elimination of U.S. tax advantages and other subsidies for corporation investing abroad, namely tax deferral of income earned abroad and foreign tax credits.

In the view of the AFL-CIO, the DISC provisions of U.S. tax law should be repealed.

United Steelworkers of America, AFL-CIO, and the Industrial Union Department of the AFL-CIO

Mr. Abel stated that a key area for trade reform is that U.S. based multinational companies are given tax incentives that make it more profitable for them to expand overseas operations rather than to invest at home.

International Trade Club of Chicago

The club felt that the TRA should not be complicated by the inclusion of such matters as taxes, energy and monetary reform, which are already covered in other legislation now under consideration.

Mr. C. Fred Bergsten (Brookings Institution)

Mr. Bergsten recommended that the controversial DISC legislation, designed to spur exports by tax incentives, should be repealed or suspended. DISC has done little to spur exports, although it has "significantly" reduced treasury revenues, he stated.

Carl Marks and Company

Mr. Marks stated that the Johnson Debt Default Act should be strengthened to prohibit any Government that has repudiated its bonded debt to American investors from receiving additional loans from American sources. The extension of any credits to the Soviet Union at this time by commercial U.S. sources, whether or not in conjunction with similar loans being considered by the Export-Import Bank, and whether or not the source of these credits may be offshore, is, at a minimum, a violation of the spirit of the Johnson Debt Default Act.

Carl C. Landegger, Parsons and Whittemore

Mr. Landegger stated that it is in the interest of the United States that companies securing and processing basic raw materials for use in the U.S. should be exempted from the Treasury Department proposals covering "Runaway Plants" and "Tax Holiday."

Communications Workers of America

The union agreed with the intent of the Burke-Hartke bill to remove the tax breaks accorded to multinational corporations and to curb the exportation of capital, but opposed that bill's proposed quota system.

Port of New Orleans

The Port of New Orleans urged the rejection of the Hartke-Burke bill (S. 151). This bill would in the long term stifle trade, which is the life blood of the Nation's ports.

United Rubber Cork, Linoleum and Plastic Workers of America

The union strongly contended that any trade bill must include effective provisions to close the tax loopholes which provide the incentives for companies to move abroad.

International Economic Policy Association

The association recommended that the TRA make clear that the President's authority to negotiate regarding trade and to take retaliatory action against unfair foreign trade policies should also apply to fair and equitable treatment for U.S. investments abroad. In this connection it was noted that the House version of the Trade Reform Act (H.R. 10710) removed the Administration's reference to the "formulation of international standards for investment and tax laws and policies," in the Statement of Purposes, section 2. This should be restored.