

**AUTHORIZATION OF APPROPRIATIONS FOR THE
U.S. INTERNATIONAL TRADE COMMISSION
FOR FISCAL YEAR 1978**

HEARING
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-FIFTH CONGRESS
FIRST SESSION
—
APRIL 21, 1977



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(II)

CONTENTS

	Page
Administration witnesses:	
Hon. Daniel Minchew, Chairman, U.S. International Trade Commission, accompanied by: Joseph Parker, Vice Chairman; Catherine Bedell, Commissioner; Robert Cornell, Deputy Director of Operations; and Edward Wallington, Director, Finance and Budget.....	2
Communications:	
David J. Steinberg, U.S. Council for an Open World Economy.....	23
Liner Council, American Institute of Merchant Shipping.....	24
Additional information:	
Committee on Finance press release announcing this hearing.....	1

**AUTHORIZATION OF APPROPRIATIONS FOR THE U.S.
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THURSDAY, APRIL 21, 1977

**U. S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE COMMITTEE ON FINANCE,
Washington, D.C.**

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff (chairman of the subcommittee) presiding.

Present: Senators Long, Talmadge, Ribicoff, and Byrd, Jr., of Virginia.

Senator RIBICOFF. The committee will be in order.

[The committee press release announcing this hearing follows:]

**FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE SETS HEARINGS ON
AUTHORIZATION FOR U.S. INTERNATIONAL TRADE COMMISSION**

The Honorable Abraham Ribicoff (D., Conn.), Chairman of the Subcommittee on International Trade of the Committee on Finance, announced today that the Subcommittee will hold hearings on the authorization of appropriations for the U.S. International Trade Commission on Fiscal Year 1978. The hearings will be held at 10:00 a.m. on the morning of Thursday, April 21, 1977, in Room 2221 of the Dirksen Senate Office Building. The Honorable Daniel Minchew, Chairman of the Commission, will outline the Commission's budget plans for the upcoming year.

Chairman Ribicoff noted that an authorization is required by subsection (e) of section 330 of the Tariff Act of 1930 (19 U.S.C. 1330 (e)), which provides:

(e) Authorization of Appropriations.—For the Fiscal Year Beginning October 1, 1970, and each Fiscal Year thereafter, there are authorized to be appropriated to the Commission only such sums as may hereafter be provided by law.

Written Testimony.—Chairman Ribicoff stated that the Committee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-space pages in length, and mailed with five (5) copies by close of business Thursday, April 21, 1977, to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510.

Senator RIBICOFF. Mr. Minchew, Mr. Parker, Mr. Cornell, Mr. Wallington, Ms. Bedell, are you going to testify?

Mr. MINCHEW. No, sir. I think we have one statement. Others will be available.

Senator RIBICOFF. Why do you not take the witness chair and let us have your testimony?

Mr. MINCHEW. Thank you, Mr. Chairman. In addition to myself and the Vice Chairman, Commissioner Bedell is also with us and, if you have no objection, I will ask the Vice Chairman and Commissioner Bedell and Mr. Wellington to join me at the table.

Senator RIBICOFF. Certainly.

STATEMENT OF DANIEL MINCHEW, CHAIRMAN, U.S. INTERNATIONAL TRADE COMMISSION; ACCOMPANIED BY JOSEPH PARKER, VICE CHAIRMAN; CATHERINE BEDELL, COMMISSIONER; ROBERT CORNELL, DEPUTY DIRECTOR OF OPERATIONS AND EDWARD WALLINGTON, JR., DIRECTOR, FINANCE AND BUDGET

Mr. MINCHEW. The budget of \$12,187,000 requested by the U.S. International Trade Commission for fiscal year 1978 represents an increase of only \$347,000 from the \$11,840,000 in funds requested for fiscal year 1977. As this increase is less than the net automatic increase in costs of \$373,000, we are asking, in real terms, for a reduction in operating funds.

We will, however, have to request an increase of \$77,000 to cover executive pay raises effective in March 1977, since this cost was not known when the budget was submitted.

Despite our very lean—even reduced—budget for fiscal year 1978, the Subcommittee on Trade of the House Ways and Means Committee, in making up the Commission's authorization bill for fiscal year 1978, has recommended a reduction of \$665,000, which would bring the budget total down to \$11,522,000. We are requesting that you restore the budget total to the \$12,187,000 originally planned for fiscal year 1978. Before explaining this request, I would like to review our budget, briefly pointing out some improvements in our operating plans and other recent achievements.

The Commission developed this year's budget request from two major bases: (1) a new work plan by activity, developed in August of last year, which we are using as our approved resource allocation document and (2) reorganization plans developed at the same time and since completed without essential change as we have proceeded with their implementation.

We believe that we now have put into place a more effective organization which eliminates our dependence on ad hoc staff assignments, brings responsibility and authority closer together and better defines the functions for which our managers are to be held accountable.

We have established as a key element a Director of Operations responsible for all substantive activities, supported closely by a full-time investigative staff which will carry out all public investigations, with technical and research assistance from other units. This replaces the old approach of forming ad hoc groups for each investigation.

We have introduced badly needed intermediate levels of supervision. We have also added small support staffs to cover important areas of policy/planning, congressional liaison, consumer affairs and management services.

The net result of the reorganization has been to reduce the number of positions while raising the average grade of the staff. The plan will help keep costs down in the near term and should continue to produce

savings later as we grow more skilled in the efficiencies of the new procedures.

While costing us less, we believe our new organization will enable us to accomplish more fully and expeditiously the duties required by statute and projects requested by the Congress and the President.

We also hope, by increasing our emphasis on systematic studies and by publishing reports on regularly collected information, to better our professional staff's ability to keep abreast of technical and trade developments. More than 20 such studies and research projects, selected and approved by the Commission, are now underway in accordance with comprehensive research plans.

Detailed planning of non-investigative research has become an established activity within the Commission, replacing rather than adding to the former unstructured research, and is generating a major increase in both the quantity and quality of the U.S. International Trade Commission's published product. A sizable flow of finished work is about to emerge from this program, which will be reviewed, updated and probably expanded in a few months.

Senator RIBICOFF. You say "a sizable flow of finished work is about to emerge from this program." I think it would be valuable for the committee to have you submit to us what project you are now engaged in and where it stands in the prospect of completion.

I think that you are a very valuable commission, but not many people know about what you are doing unless they read something in the paper about textiles or see it on the television set.

So, if you would submit to the committee what projects you are presently engaged in, it would be helpful.

Mr. MIXCHEW. We would be happy to do so. We will submit to you our self-initiated studies and the schedules that we have imposed upon ourselves for completion. We will also submit for you a breakdown of all of the investigative activities.

Senator RIBICOFF. That is important. I think it is important for the Congress to know. It is important for the public to know, especially in view of the controversy that has arisen, because of the other body's action.

It would be helpful if the committee could have that material.

In setting up the Trade Act, it was the intention of the Finance Committee to make your Commission most important. You have a very important role to play in all trade matters, and it becomes essential for us to know what you are doing, are you fulfilling it, and of course I know Senator Long and I feel very strongly that there is an important job to be done by you.

We hope that we can somehow eliminate some of the pressures and conflicts that are now in the Commission.

Mr. MIXCHEW. We will be happy to supply you with them, and we will supply them to you before the end of the day today, sir.

Senator RIBICOFF. If you have it before the end of the day, we have a mark-up set next week. It will be Monday or Tuesday, I think. It would be good for the committee to have that, sir.

Mr. MIXCHEW. Very well, sir.

[The following material was subsequently supplied for the record:]

Comprehensive list of investigations and other projects now underway within the USITC, Apr. 25, 1977

	<i>Due date</i>
I. Investigations under section 201 of the Trade Act of 1974:	
1. Inv. TA-201-20: Low carbon ferrochrome--	July 10, 1977.
2. Inv. TA-201-21: Cast-iron cookware-----	July 23, 1977.
3. Inv. TA-201-22: Fresh cut flowers-----	July 31, 1977.
4. Inv. TA-201-23: Certain headwear-----	Aug. 18, 1977.
5. Inv. TA-201-24: Cast-iron stoves-----	Sept. 9, 1977.
6. Inv. TA-201-25: Cattle and beef-----	Sept. 17, 1977.
7. Inv. TA-201-26: Malleable iron pipe fittings--	Sept. 20, 1977.
II. Investigations under the Antidumping Act, 1921:	
1. Inv. AA1821-164: Roundhead steel drum plugs from Japan.	June 14, 1977.
2. Inv. AA1921-165: Metal-walled above-ground swimming pools from Japan.	June 20, 1977.
3. Inv. AA1921-166: Certain parts for self-propelled bituminous paving equipment from Canada.	July 7, 1977.
III. Active investigations under section 337 of the Tariff Act of 1930:	
1. Univ. 337-TA-25: Certain above-ground swimming pools.	Apr. 29, 1977.
2. Inv. 337-TA-26: Certain solder removal wicks-----	Aug. 7, 1977.
3. Inv. 337-TA-23: Certain color TV receivers--	Jan. 3, 1978.
4. Inv. 337-TA-30: Certain display devices for photographs.	Feb. 18, 1978.
5. Inv. 337-TA-29: Certain stainless steel pipe and tube.	Feb. 22, 1978.
6. Inv. 337-TA-31: Certain steel toy vehicles--	Apr. 18, 1978.
7. Inv. 337-TA-32: Certain dot matrix impact printers and solenoid print head assemblies therefor.	o)
8. Inv. 337-TA-33: Certain light shields for sonar instruments.	o)
9. Inv. 337-TA-XX: Certain machining centers with automatic tool changers.	o)
10. Inv. 337-TA-XX: Certain molded golf balls--	o)
IV. Investigations under section 332 of the Tariff Act of 1930:	
1. Inv. 332-80: Probable effect of H.R. 14600 (watches and parts thereof).	May 30, 1977.
2. Inv. 332-83: Study of the administration and operation of the customs laws.	June 21, 1977.
3. Inv. 332-82: Probable domestic impact of changing from the current "chief value" method of classifying textile imports to a "chief weight" method of classifying such imports.	Oct. 7, 1977.
4. 332-78: Formulation of an international commodity code.	Jan. 1, 1978.
V. Studies under section 410 of the Trade Act of 1974:	
1. Review reports on East-West trade-----	Quarterly.
2. Special report: Impact of granting MFN treatment to the U.S.S.R.	Public Apr. 20, 1977.
3. Special report: Impact of granting MFN treatment to the P.R.C.	Apr. 30, 1977.

¹ Notice not yet issued; case in early stages.

Comprehensive list of investigations and other projects now underway within the USITC, Apr. 25, 1977

	<i>Due date</i>
VI. Studies under authority of section 332 of the Tariff Act of 1930, as suggested in letters from the Special Trade Representative:	
1. U.S. industries with high export potential...	May 15, 1977.
2. Analysis of the TSUS with respect to the effects of adoption of a simplified system of customs valuation.	May 30, 1977.
3. Analysis of the TSUS with respect to feasibility and economic impact of conversion of specific and compound to ad valorem rates.	June 10, 1977.
4. Study of the economic effects of the harmonization of tariffs of the major trading nations on the principal goods and commodities which move in international trade.	June 30, 1977.
5. Impact of foreign export subsidies.....	July 20, 1977.
VII. Summaries of Trade and Tariff Inforumlation, undertaken under authority of the Tariff Act of 1930, section 332:	
1. Pyrotechnics	May 30, 1977.
2. Hardwood plywood.....	June 30, 1977.
3. Plastics	Do.
4. Luggage	Do.
5. Fish netting/nets.....	July 19, 1977.
6. Sweaters	July 20, 1977.
7. Body support garments.....	Aug. 12, 1977.
8. Ophthalmic lenses.....	Sept. 13, 1977.
9. Manmade fiber fabrics.....	Sept. 14, 1977.
10. Meats	Sept. 17, 1977.
11. Pens and mechanical pencils.....	Oct. 1, 1977.
12. Photographic cameras.....	Oct. 15, 1977.
13. Jewelry	Oct. 31, 1977.
14. Ceramic table and kitchen articles.....	Do.
15. Musical instrument.....	Dec. 1, 1977.
16. Electrical motors and generators.....	o
17. Scientific instruments.....	o
VIII. Other research projects initiated on the Commission's own motion under authority of section 332 of the Tariff Act of 1930:	
1. Balance of payments analysis (requested by Senator Long).	Draft now before the Commission.
2. Factors affecting world petroleum prices to 1985.	June 17, 1977.
3. Softwood lumber forecasting model.....	June 30, 1977.
4. Survey and analysis of Government-owned industries and industries with Government participation in market economy countries.	July 25, 1977.
5. Effects on trade of official export financing...	July 29, 1977.
6. U.S. international trade in vegetable oilseeds and fats.	Oct. 14, 1977.
7. Impact of NTB's on U.S. exports.....	Oct. 28, 1977.
8. Effects of border taxes on U.S. trade.....	Do.
9. Cost-benefit analysis of the multi-fiber agreement on textiles trade.	Nov. 15, 1977.
10. Impact of GSP on U.S. trade in the program's first year of operation.	Nov. 30, 1977.
11. World trade in grains.....	Dec. 15, 1977.
12. Tariff and nontariff barriers to world trade in automobiles.	Mar. 15, 1978.
13. Related-party transactions in U.S. import trade.	Due dates not yet firmly fixed.
14. Case studies of the effects of floating exchange rates on importers' pricing practices.	
15. Model of fastener market.....	

¹ Deadline date not yet firmly fixed.

Mr. MINCHIEW. We are currently making preliminary plans toward the use of zero-base budgeting techniques, even though, as an agency outside of the purview of the Office of Management and Budget, we may not legally be required to do so. We are working on a project-control system of management to support eventual zero-base budgets and to increase the ability of managers at all levels to direct the areas for which they are responsible.

Also, though we are informed that we are not technically subject to the President's policy limiting the hiring of staff to 75 percent of available vacancies, we intend to follow its spirit. Finally, we have been operating under the provisions of the Sunshine Act since December and are, in fact, the first Federal agency to issue final rules of procedure for the conduct of meetings in the sunshine. We have found this early compliance with the law to be a benefit rather than a liability, giving the public a better understanding of the complex issues with which we deal and of the care that we give them.

Early in fiscal year 1977, we found it necessary to ask for an \$80,000 increase in our fiscal year 1977 travel limitation—a request incorporated in the first House Supplemental Appropriation Act. We did not seek an increase in the amount of our appropriation for fiscal year 1977, since we expected this higher travel cost to be offset by savings in planned personnel costs.

We have found it necessary to make a similar shift between expense categories for fiscal year 1978 since the budget request was submitted to the Congress: adding \$80,000 to planned travel expenses, but reducing personnel and certain production costs by a like amount. Special needs for travel have arisen in connection with certain unfair import practice investigations, as well as some major investigations under section 332 of the Tariff Act of 1930.

Hearings held outside of Washington in connection with several kinds of investigations have also increased the Commission's travel costs; these out-of-town hearings have been a source of much valuable information through testimony from individuals who could not have attended hearings held in Washington, D.C.

We believe that removal of the travel limitation in the Commission's appropriation language is needed, and we have asked the House Appropriations Subcommittee and will ask the Senate Appropriations Subcommittee to make this change in order to allow us reasonable flexibility in operations. If the committee does not remove the limitation, we ask that it be raised by \$80,000 from the \$242,000 we originally requested, in order to allow for the increased travel requirements being experienced in recent months and expected in the future.

Senator RIBICOFF. Would you give us some examples of your hearings held outside of Washington, covering what subject matters, who attends these hearings?

Mr. MINCHIEW. We have held a number of our escape clause proceedings outside of Washington. For example, last week I was in Birmingham, Ala. along with other commissioners holding an escape clause hearing on cast iron cookware.

We have some commissioners today in San Francisco, Calif., where we have held an escape clause proceeding on fresh cut flowers.

It has been our opinion, and this has been borne out by factual experience, by going outside of Washington to areas that are more nearly directly affected, we have received better testimony from both the importing and the domestic interest groups.

California is one of the largest flower producing States, for example. It is also one of the largest flower importing States. For us to go to California, hold 2 days of hearings there, we get more witnesses that are involved day-to-day in the importation or production of the product.

Senator RIBICOFF. In other words, instead of having the lobbyist or legal counsel or the trade representatives based in Washington, by going out into the field, you get the people actually involved, directly affected, not just their lobbyists?

Mr. MINCHEW. That is right.

We might have 20 or 30 witnesses whom we can hear and build a record of in the field, where it would not be possible probably for 20 or 30 of those witnesses to come to Washington.

Senator LONG. I want to inquire in some other matter to see what the reaction to that matter is, whether it is a public relations thing, or it actually get results. I personally got the impression if I wanted to know how people were reacting or how they were affected, there is no substitute than to go out among the people.

You can talk about it by telephone all you want to. I used to find, when I had been away from my State for awhile, working on my job up here, it was a good idea to get in the State for at least a few hours to talk to the people and see what the situation was. You seem to understand a lot more what it is you are talking about, what people's problems are, if you visit with the people in the area, rather than have somebody come to Washington and tell you about something.

Oftentimes, somebody comes up here and makes a big thing of something that is not important at all, and sometimes the person comes up here and tells you something and it turns out to be very significant when you go out. Do you get that impression?

Mr. MINCHEW. Yes, we do. We get more original sources from the field, people who themselves run the businesses themselves, work on the production lines themselves, doing the importing, rather than a law firm here in Washington, or a trade association or a lobbyist group here in Washington.

I think this is a very valuable added dimension to our hearing record.

Senator RIBICOFF. I wonder, Mr. Minchew, we have read your statement, if you would object to having your statement go into the record as if read?

Mr. MINCHEW. I would be delighted to do so.

Senator RIBICOFF. To answer questions?

Mr. MINCHEW. I think that would be more instructive.

Senator RIBICOFF. I do, too, and the chairman may have some questions as well.

The Trade Act of 1974 made some significant changes in the jurisdiction of ITC. What effect have those changes had on the Commission's workload?

Do you have enough people?

We gave you things to do. What impact has it had on you in what Congress has asked you to perform?

Mr. MINCHEW. The changes made in the Trade Act of 1974 have served to greatly increase the interest the public has in the International Trade Commission. We have, as you know, a large number of pending and recently completed escape clause proceedings and we have a great interest in our 327 unfair Trade Act procedures.

We have these increasing interests and activities as a direct result of the change in the statute. I think we are able to perform this increased workload and perform it better, without having to ask for additional staff because, in the process or in the interim, we have been able to reorganize ourselves and establish a management control in the agency, by which I think we are able to do more work with fewer people.

Senator RIBICOFF. Let me ask you, the House Subcommittee on International Trade has recommended that \$600,000 be cut from your budget for self-initiated studies. That is why I would like a list, for the record, of what your self-initiated studies are.

What would be the effect of such a cut in your capacity to carry out these studies?

Would this be a waste of taxpayers money to have these studies?

Mr. MINCHEW. I do not think it would be a waste of the taxpayers money to have studies on the subjects that we are studying. We are studying, for example, the factors affecting world petroleum prices to 1985. We are studying, for example, the operations of the Customs Service.

We are studying the first year's operation of the generalized system of preferences and how this has affected the U.S. economy.

We are studying, for example, the effects on trade of official export financing.

We are studying, for example, the effect of foreign nontariff barriers on U.S. exports.

These are types of research activities that can translate into immediate benefits for the American workingman, the American businessman, and the American consumer.

Senator RIBICOFF. If I could make a practical suggestion, the studies, as you relate them to me, are very, very important for the overall running of our economy.

I think it might be wise, when you contemplate undertaking these studies, if you went over to the House and talk to Mr. Ullman and the ranking Republican member and also Mr. Vanik and the ranking Republican member on the Trade Subcommittee and if you came over here and talked to Senator Long and Senator Curtis and myself and the Republican ranking member on the Trade Subcommittee. If you told them what you were undertaking, I think you would find that you had more support.

As I listen to every project that you are engaged in, I can recognize its importance. Until now, I have had no knowledge of what you were engaged in. I do not know whether Chairman Long had any knowledge.

Senator LONG. No, I know we have asked that the studies be made, but I was not aware of those particular studies.

As far as I am able to determine, those are all appropriate areas for study. I think, if you have the funds to do it, that it is better to obtain the information you think will be needed to have a good trade program rather than wait for someone to request information and then have to take a year to get it for us.

I do think, as Senator Ribicoff has just suggested, that it would be a good idea if the Chairman and the Commissioners come up here after you have thought about the studies that you were going to initiate and tell us. You could also tell our friends on the House side of what you are thinking of looking into and let them make some suggestions.

My impression of what the House has done to your bill is they seem to be acting out of frustration over there. Perhaps they are not happy about the way that things have been going. Perhaps they do not share the view of the Finance Committee as to what your assigned function is.

You are aware that we, in the Finance Committee, felt that this Commission should be bipartisan and it should be completely independent.

Mr. MINCHEW. Yes, sir.

Senator LONG. It really does not particularly surprise me when I find that there is a difference of opinion within the Commission. We had in mind that they would be very independent. We hope the Commission will do what we think we are doing on this committee, judging each issue on its own merits, whether we think it is a good idea or a bad idea, and trying to improve it, and considering everybody's suggestions.

You are also aware of the fact, I guess, Mr. Minchew, that some of us were very much concerned that in past years the State Department was managing trade policy indirectly through the White House. From our point of view, some nameless, faceless soul who had not been elected and had not been before the Senate for confirmation, in many cases, was dictating trade policy.

We just felt that the people we appointed to that Commission should be making the decision without dictation by somebody in the State Department unknown to us. You are familiar with that?

Mr. MINCHEW. Yes, sir.

I think the current Commission has been very independent of the State Department, the White House, the executive branch forces that might want to encourage us to make a decision one way or the other.

It should not be that this agency could be dominated by the executive branch. We are very grateful to the Senate Finance Committee and the House Ways and Means Committee to insure our being insulated from undue executive branch pressures.

Senator LONG. It seems to me that you are supposed to be a fact-finding group and that you ought to use your best judgment in determining those facts.

Also, when you find the facts, you are required to make recommendations under certain circumstances. Let me see if I am completely up to date on the law. I know that we suggested, about a year ago, if the Commission divides three and three on a remedy vote, then the President can treat either one of those recommendations as the rec-

ommendation of the Commission, as far as he wants to implement it. Is that correct?

Mr. MINCHEW. That is correct.

Senator LONG. If the President agrees with three members on the Commission in a three and three vote, and if we wanted to agree with the other three, then the Congress could choose to regard the recommendation of the Commission as being the recommendation of the other three for purposes of an override.

Mr. MINCHEW. That is my understanding, sir.

Senator LONG. Basically in the last analysis, it gives the Congress the right to implement either one of those recommendations. If the President chose to agree with the three who recommended acting in one direction, the Congress could go along with him, if it wanted to. If Congress wanted to regard the recommendation of the other three as being a better suggestion in the national interest, then they would have the option, if they had the votes, to do that too, is that correct?

Mr. MINCHEW. That is correct, sir.

Senator LONG. I, for one, do not find that to be very objectionable. As a legislator, I would like to have the option to agree with either group if there is a 50-50 division among people looking at the same facts.

What kinds of problems does that give you as a Commissioner and Chairman of the Commission?

Mr. MINCHEW. That gives me absolutely no problem, Mr. Chairman.

Senator LONG. The way it seems to me, if I cannot persuade the President to see it my way, I have the opportunity to try to vote him down up here on Capitol Hill. If I fail, I just strike out, but I will have had my fling at it.

I do not know why anyone should complain about that result.

Mr. MINCHEW. As you know, in the past, especially in the first footwear investigation, the Commission was not able to come to a majority on the same remedy recommendation. That was, I think, perhaps the incident which encouraged the Congress to change to the system that you just outlined, but I can assure you, Mr. Chairman, that we of the U.S. International Trade Commission are now spending a great deal of time on that very important matter of remedy recommendations with the hope that we could get a clear majority, as many of the Commissioners as possible, on the same remedy recommendation.

I personally feel that that strengthens the Congress' hand if it does wish to exercise its override authority. We are spending maybe as much as 2 weeks in discussion and consideration of the remedy portion of the vote, where in the past sometimes we spent 1 day on that portion.

We share your significant importance to the remedy part of these escape clause proceedings. We are trying to do our job better than we have done it in the past.

Senator LONG. I see.

Mr. Vanik might be a little concerned about the fact that your Commission has not been able to reach a unanimous recommendation. I wish I could be unanimous with Mr. Vanik on something.

Chairman Vanik has one view of a matter of this sort and I have a different view, and that is not unusual. Maybe we can get together someday; I hope we can.

Let me ask you this. Is your view as an administrator—that is what you are as a Chairman of that Commission—somewhat like mine? My problem is, whatever amount you give me to operate an office, I can tell you what I would like to do with it. I really think I could do a better job if you would let me have a amount of money and let me have the discretion to use it most effectively.

Now, do you share my view, or do you take a different attitude toward the funds for this Commission?

Mr. MINCHEW. No, sir. I would react as you have said. If you will approve our budget, as we have requested—and, as I emphasized in my opening remarks, it is a very lean budget, it is actually a reduction in funds—we can get the job done.

Senator LONG. I just wonder who has the wisdom, the foresight, the ESP, to know whether you are going to need \$300,000 or \$322,000 for travel, for example? I do not say that I have as much foresight in that respect as Mr. Vanik, for example, but who would know what you are going to need to buy 50 tickets or 51 tickets to go somewhere. Do you? I do not know.

Mr. MINCHEW. No, sir. We have to make our projections on the basis of our past experience and what we anticipate for the future. As you know, we in the past have had to request additional funds for travel. Our allocation for travel—although we did not have to request additional moneys, we had the moneys available and allocated for something else that we did not need and we did need the money for travel.

We had very big travel expenses in our unfair trade practice cases, particularly the television case which involved a lot of travel by staff to Japan. This was something that we really had not adequately anticipated.

It is just impossible, Mr. Chairman, to anticipate accurately all that we are going to need for travel when we do not control the number of petitions that the general public can bring to us; and we, in our agency, have tried most of all to be responsive to the public. We think this is what the Congress intended.

When people come into us with a petition, and that petition is in a proper form, we feel that we must institute that investigation and we must institute it and carry it out in such a way that the public, not just the special interests here in Washington, have a chance to have input. I make no apology for our increased travel budget, because I think we have provided a feeling for the first time in certain parts of the country that there is somebody in Washington who listens when U.S. interests, either importing or domestic, are being affected by what is going on in international trade.

Senator RIBICOFF. That was exactly the intention written right into the Trade Act of 1974. There was a unanimous concern in the Finance Committee on this problem. It was our intention to do exactly that. I do not know why you should be penalized for doing what the Congress said you ought to do.

Senator LONG. I have seen some of the small, penny-pinching economies of small minds—and small minds only. That has been my experience. One of them you might take a look at is the entrance to the garage for the building where we sit right now. You notice that there is only one little runway in and out. From the bottom, you cannot see

the top and from the top you cannot see the bottom. To use this runway, we have to have two policemen, one halfway up and one at the top—actually three, and one at the bottom. Three policemen to help Senators get in and out because of the “economy” of those who designed and built the building.

For awhile I thought that the logical suspect would be a former colleague of ours. He loved to economize on things, but he had nothing to do with that particular economy.

It seems that when the building was designed, somebody had the foresight to think that we might need to build the other half for a bigger building. Of course, that is now being done.

In order to economize the original designers believed that when the whole building was completed, occupying the entire city block, it would have two runways, one for coming down and one for coming up. Meanwhile, 10 or 15 years, we have to get by with one runway and the policemen standing at various levels to help Senators get up and down and to direct traffic in and out of the Senate garage. I do not know a parking lot in town that has been built in the last 15 years that tried to engage in this same kind of penny-pinching economy.

I tell this story to point out that that false “economy” and lack of foresight do occur on Capitol Hill. People sometimes take great pride in doing some of these things to save a dollar or two.

I think the House reductions may be this kind of “economy.” Suppose the Commission could get some good information from a trip but in view of their budget they will cancel it. When they cancel, that leaves a few thousand dollars on hand. When that gets back to the penny-pincher on the Hill he says, look here: If you did not spend the full \$322,000, that being the case, we will cut you back to the \$300,000 that you did spend. That will be enough.

Then, of course, the next year you have the same problem all over again. You get to where you spend about \$285,000 and if the Commission goes someplace and makes a trip, you will be over, so you do not take the trip, you elect not to do so, even though it was well-justified.

On the next time, you get cut by another \$15,000. Since you did not spend it, you must not have needed it. Here we go again.

I just do not see that much is achieved by doing that. I think that if we want to reduce your budget, the best way to do it is to give you an overall figure and just let you do it in whatever way you think best. Take it out of personnel, take it out of travel, take it out of anything you want. You must take it out to live within your budget. You would probably like it better if you had that discretion, would you?

Mr. MINCNEW. We would like that, sir.

The problem I see with the House reduction is that it will cut almost all out of our self-initiated studies, and I think that this is going to deprive the public of some much-needed information that we at the Commission, as an impartial expert body, are in the best position to provide the public. We have absolutely no control over the number of petitions that are going to come into us. I can tell you the number that are in today. I cannot tell you what is going to be before the Commission, if new petitions come in tomorrow.

We have to have, and I think we have projected, adequate funds for those types of things that, by statute, we must perform—and, thanks

to the activities of the time limit that Congress has put on us, we must perform them promptly with statutory deadlines in every instance.

Those are the things where we really have no flexibility and we have a great deal of difficulty projecting accurately just how many petitions are going to come in.

Senator LONG. It is my understanding that most of these so-called Commission-initiated studies originate from outside the Commission. Would you mind explaining how that works?

Mr. MINCHEW. Of course, we have suggestions and ideas from outside the Commission.

Senator LONG. Give me an example. Pick one that comes to mind.

Mr. MINCHEW. Let me tell you about a meeting that took place in the Commission a few days ago. A group of steel producers, largely from the west coast, came in and said to the Commission, "We are seeing a great deal of Japanese penetration of the steel industry on the west coast. We do not want to go to the Commerce Department and ask them to investigate it, because the Commerce Department is part of the administration and the Commerce Department might be dominated by the State Department, who does not want to do anything to upset Japan at the moment.

But we feel that the U.S. International Trade Commission, as an independent body, should institute a section 332 investigation and maybe take 12, 18 months and do an in-depth study of the Japanese import penetration on the west coast and the degree, if any, of Japanese domination of west coast steel distributing facilities."

Perhaps that is a very valuable type of study and perhaps we are the best Government agency to undertake such a study.

We, the Commission, ultimately will make a decision on whether that is a proper allocation of the public resource that we administer. We also have our staff at work at all times now trying to anticipate what problems are going to be important trade problems in the future.

For example, we presently, on our own motion, have instituted an analysis of the multifiber arrangement. We, on our own motion, have instituted a study on the tariff and nontariff barriers to world trade in automobiles.

Senator RIBICOFF. When you initiate on your own motion, why did you initiate a study on multifiber arrangement?

Mr. MINCHEW. Our staff came to the Commission and said, we are getting a lot of inquiries. It is a matter that is now in negotiation in Geneva. It is a very sensitive subject and the staff felt that it would be appropriate to recommend to the Commission that we institute a study on the effectiveness of the multifiber arrangement in its first years of operation.

The Commission ultimately decided to institute.

Senator RIBICOFF. Let me ask you something that comes to mind.

I followed the President's proposals last night. As I said to the chairman, it becomes very obvious to me, in studying it very carefully, that the key role in the President's energy program is going to be handled right here in the Finance Committee, not the Energy Committee, because it is all tax related.

I understand the tax on the gas guzzlers. I am at a loss to understand why money should be given to people for buying a car that is going to give them 36 or 37 miles per gallon of gas.

It is also very obvious to me that that will have a very big benefit for foreign cars which are way ahead of American cars on mileage. If someone wants to buy it for mileage, I can understand that, but why we should give somebody \$200 to buy a car that is going to give them economy, I am sort of puzzled by that.

Are you set up in your Commission to give the Finance Committee or the American people information or studies on what the impact would be on domestic and foreign car sales by a rebate back to an individual who buys the car based on increased mileage?

Do you have a capacity to do that?

Mr. MINCHEW. Yes, sir. I think we do have the capacity and we still have some of the best commodity experts in the Federal Government.

Senator RIBICOFF. If you have the capacity—I do not know how the chairman feels—we are going to have to wrestle with that problem in the Finance Committee when it comes up here, and I wonder, Mr. Chairman, looking ahead, whether the International Trade Commission should sort of look into that impact, because it is going to be our responsibility here to do that.

I do not know how Senator Talmadge feels.

Senator TALMADGE. I concur fully.

Senator RIBICOFF. If you would start that, because that is a very important factor that we are going to have to face here.

Mr. MINCHEW. May I suggest that maybe we could get together with some of your staff and get together a proposal, and then come back to you with a suggestion and see whether the scope of it would meet with your approval, and take it from there.

Senator RIBICOFF. That is a very good suggestion. There is staff right here that would welcome that.

Senator TALMADGE. Unfortunately, I did not have an opportunity to be here to hear Mr. Minchew's testimony in chief. I have been presiding on the Agriculture Committee for weeks on end. We have had voluminous hearings and we are trying to mark up a very complex bill.

I do want to say a word about the Chairman of the International Trade Commission. He was my assistant for a good many years. He handled his duties in an exemplary manner. He was very frugal with money. There was not a year he was my administrative assistant that we spent our full allotment. We returned money to the Treasury at the end of the year.

He is a man of enormous ability and enormous potential and I concur that we ought to have a seven-man commission because in a six-man commission, there is much opportunity for deadlock. We have to have a group that can make a majority decision.

I also feel that the Chairman of the Commission should be appointed by the President of the United States. If you have a chairman elected by the Commission members, I can see the opportunity for political jockeying that could arise from time to time.

There would always be someone who would want to unhorse the Chairman, take over his duties and responsibilities. I think we ought to keep the Commission as free from political influence and domination as possible and subject to the direction of Congress, as it now is.

Senator RIBICOFF. I agree with some of the recommendations of

Senator Talmadge. My mind is open about how the Chairman is chosen. I am just wondering if it is chosen by the President, whether the President would not be in a position to dominate that Commission. That is the only question.

I think the Commission ought to be seven. We have had too many 3-to-3 decisions, which gives you an impasse. It should be a seven-man Commission.

Do you have any thought about whether the Chairman should be chosen by the membership or designated by the President? Do you have any thinking on that?

Mr. MINCHEW. I think that, fundamentally and most importantly, the Chairman should not be beholden to the White House. I would fear a circumstance where the White House or the State Department, working through the White House, could dominate the USITC. That must be avoided at all costs.

I do feel that perhaps there will be ways of assuring that the White House does not dominate a presidentially-appointed chairman. The House bill, for example, I think tries to meet that question by making the chairman a 3-year term, allowing for one reappointment, but only one reappointment.

Perhaps another way would be to make the appointment of the Chairman subject to congressional concurrence. I personally think there are some difficulties in electing a chairman from among the commissioners, especially as we are presently constituted with an even number of commissioners. That would be lessened somewhat if there were seven commissioners.

Senator LONG. If you had seven commissioners and then elected the chairman, it seems as though all you have to do is have a runoff. The only way you could fail to work it out is if everybody got one vote. Seven people, they all got one vote. If you cannot find anybody who can vote for another guy, you are in for a runoff.

I think that would resolve itself. Why not?

Mr. MINCHEW. I do not know what length of term there would be. I do not know what might be done to unseat a chairman. Things like that, I think, have to be dealt with very carefully.

The biggest problem that I would see with electing a chairman would be that you would almost institutionalize differences within the Commission. We have had our differences in the past. Our differences really have been minor, compared to the amount of cooperation that has existed among the commissioners, but if you start periodically electing one of the six or seven as a chairman, do you run the danger of institutionalizing differences, of injecting a political element into what is basically an adjudicatory agency or an independent agency?

Would Commissioners—and I am sure none of the present commissioners, but future commissioners—feel compelled to vote in this particular way so as to hold onto their chairmanship or to gain support for a campaign for the chairmanship?

I myself have at times, I am certain, irritated some of my colleagues, or maybe put them in difficult circumstances because I have not spent any money to redecorate my office since I have been there. We were given a little allocation money to redecorate; I just have not spent that, and I know at least one Commissioner who has been very uncomfortable because Minchew did not spend money.

Senator RIBICOFF. This is something you learned from your former boss.

Mr. MINCHEW. If a future Commissioner wanted to curry favor among colleagues, would he or she be compelled to go along, so to speak, on things like that, which really are not substantive, but are matters within the Commission?

I can assure you, Mr. Chairman, no matter what the Congress ultimately decides, we at the Commission will accept it and try to do our job as best we can under the guidance of Congress.

Senator RIBICOFF. I have one final question.

Do you have any suggestions as to what Congress can do to make your Commission more effective and more efficient? Are there any changes that should be made in the law?

Mr. MINCHEW. I think that perhaps there needs to be at some time—I do not know whether the authorization bill is the best vehicle. There probably needs to be some analysis of how the 337 Unfair Practices statute has worked since the passage of the Trade Act of 1974. Particularly in our television case we have received a great deal of pressure from the Justice Department, the Special Trade Representative, the Treasury Department, and the Federal Trade Commission, contending that we in the USITC should not proceed with that particular investigation.

There is some gray area in the statute. Sometime you might want to reaffirm just what is the proper role for the USITC in the area of unfair trade practices.

Historically we have looked only at things like patent violations. We are now looking at things like price maintenance and other unfair trade practices that go far beyond just patent violations.

This has caused some concern in the Antitrust Division at Justice and it has caused some concern at the Federal Trade Commission.

Senator RIBICOFF. I have no further questions.

Senator Talmadge?

Senator TALMADGE. There is only one further thing. Senator Ribicoff made a point, I think, that has concerned this committee for a number of years. We know at times the President has dominated the International Trade Commission.

Do you think a 3-year Presidential appointment subject to senatorial confirmation and subsequent reconfirmation in the Senate would insure the International Trade Commission from political domination by the White House?

Mr. MINCHEW. Yes, sir, I think it would. Are you speaking of individual Commissioners?

Senator TALMADGE. Yes.

Mr. MINCHEW. Yes, sir, I think it would.

Senator TALMADGE. I have no further questions.

Mr. MINCHEW. I might ask Vice Chairman Parker and Commissioner Bedell whether they have any comments. They might disagree with some of my answers, or they might be able to amplify on some of my answers.

Senator RIBICOFF. Either of you are welcome, if there is anything that you would like to add.

Mr. PARKER. Mr. Chairman, I would like to support the Chairman's statement in its entirety. I would also like to re-emphasize what I be-

lieve is the urgent need for the restoration of the proposed cut by the House. The so-called self-initiated studies have not resulted, and will not result, in the addition of manpower or addition of new manpower. These studies that we are carrying out are really a restructuring or a reordering of the work of the Commission.

The Commission felt that in part at least, by ordering those studies into directed avenues we would get more productive work, and, we would further our aim in trying to put the Commission in a position where it could give more economic foresight rather than reacting to past events. In this way we could better anticipate the type of problems that would come before the Congress about which you might seek information from us.

We would be in a position to respond much more quickly.

I think all the Commissioners entirely would like to see this cut restored, because, as the Chairman indicated, we do have a lean budget. I think the history of the Commission is one of fiscal responsibility.

Senator LONG. Could I ask about this? Here is something that says the Commission should spend no more than \$18,000 for noninvestigative travel. Could you tell me what that means? What is noninvestigative travel?

Mr. MINCHEW. Noninvestigative travel would be speeches, participation in a symposium or forum or things like that, sir.

For example, the week before this, I made a speech to the World Trade Club of New York. I am sorry, of Chicago, and that trip was a noninvestigative travel.

Senator LONG. Do all of you Commissioners support that limitation?

It seems to me if you are invited to come before some prestigious business group and explain what the Commission does, what its activities are, and what some of the problems are that you are looking into, if someone can find the time to go make a speech, frankly, I think that might ease the burden on some of us who might be asked, if they do not ask you.

All of us are hard-pressed for time. I do not see any point in that. What is the point here?

It may be that some House member wants to be invited to speak. And what about the House limitation on the Commissioners staff to four, except the Chairman's staff which would be limited to six—what is that all about?

Mr. MINCHEW. I think in the case of travel, the Commission has been extremely frugal in traveling itself. I personally would like to see Commissioners speaking at more places when we are invited.

With respect to Commission staff, we have presently four staff assistants in each Commissioner's office, one at a level not to exceed GS-15, one at a level not to exceed GS-14, one at a level not to exceed GS-11 and one at a level not to exceed GS-7.

That is for the responsibilities that the Commission has a very small staff. I do not see any time that we would need to increase the staff, but I personally do not like the idea of the Congress telling an independent agency, Commission you can do this much, but not that much.

We are adults, and we are responsible people, and I think if we cannot manage our own travel allocations, if we cannot manage our own staff resource allocation, we really should never have been Commis-

sioners in the first place. These are things that any adult, I think, can manage well. I think we at the Commission have managed them very well.

Senator LONG. I would like to ask Mrs. Bedell to give us her thoughts about the matter on which we have received testimony. If you have some things that you would like to add, Mrs. Bedell, now is your chance. You have served with distinction as Chairman of this Commission: what suggestions would you have for us in this matter?

Mrs. BEDELL. Senator LONG, I shall try to be brief. I certainly fully support the statement of the Chairman and the Vice Chairman as their thoughts have been expressed to you today. I would like to emphasize one thing.

It was very interesting when Senator Ribicoff expressed a deep interest in a certain type of study concerning the impact of the President's proposed energy program on the automobile situation. All I can say to you is simply this. The International Trade Commission has the capability of preparing this information for the Congress, the Executive, and the public, if you will let us have the money. You either trust us, or you do not trust us in how we spend the funds.

If we have made one mistake at all, I think it was the one that was referred to—we need to stay closer to the House Ways and Means Committee and the Senate Committee on Finance in what we are doing.

You are busy, and I think we have tried to come to both committees on occasion when you are a little too busy and have not taken much interest. I know that Senator Long and Senator Talmadge and Senator Ribicoff will remember when Mr. Parker and I arrived there as chairman and vice chairman, you gave us a great deal of advice on how much was needed to strengthen and build the Commission, which had suffered a slump for some years between trade negotiations, and we got started then. I think we are having greater momentum now in solving our difficulties there including our differences of opinion, and that is good.

You do not want six Commissioners that agree on everything, whether it is a substantive or management decision.

Beyond that, I, as a matter of fact, was worried that even the budget we asked for originally was enough to anticipate what we might be asked to do, especially since our multilateral trade negotiations are going on.

I would just point out again on the funds, we will turn back the money we do not use, and we have done that consistently. I have nothing more to say.

Thank you.

Senator LONG. It just seems to me in some respects the Commission is taking a bum rap for doing what Congress required the Commission to do. We wanted the Commission to do certain factfinding. We wanted them to make recommendations that would give the President and the Congress the opportunity to take action if they wanted to do that. When the Commission makes a recommendation which the President rejects, the Congress is in a position, if it wants to act, to adopt that recommendation. To hold the Commission up to approbrium because it does what the law requires it to do is unfair.

It may be with regard to shoes, televisions, sugar, or whatever it may be, that all things considered we ought to let things go on as they are going and not do anything. Maybe we should be content with the rising tide of imports and not give any help, any relief. One who has no stake in those industries would probably take that attitude.

On the other hand, the Commission is required to make certain findings and recommendations which put the Congress in a position to act if it wants to act.

I really think it is somewhat unfair for those who may not understand this to take the Commission to task because it is simply finding what the Congress required it to find, that there is injury or may be injury caused by imports. To take the Commission to task for doing what the law requires them to do is somewhat unfair.

I can understand how people want to have their way about any public issue, but I do think it is somewhat unfair to criticize the Commission for carrying out the law.

Mrs. BEDELL. Senator Long, may I say in fairness, members of the House Ways and Means Committee, when the Chairman and the rest of us were there, have expressed their very great support of the International Trade Commission and its work. I believe the record will show that.

When they have finished the final markup of their authorization, which I understand is taking place right now, it may be that you will want from your committee some sort of communication on what they are attempting to do, since they have at least openly said that they support our work and do not want to hurt us.

Senator LONG. Thank you.

Unless there is further statements that someone would like to make today, that will conclude today's hearing. -

Senator BYRD. Mr. Chairman?

Senator LONG. Senator Byrd?

Senator BYRD. I have several questions I would like to put to Mr. Minchew.

Senator LONG. Go ahead.

Senator BYRD. What is your assessment in terms of difficulty of enforcement in relationship to price fluctuations of the chief value method of classification of imports?

Mr. MINCHEW. We at the moment, Senator Byrd, have underway a study, at the request of the President, on the question of chief weight, chief value, whether we should shift from the present customs valuation procedure of evaluating items on the basis of chief value to a system of evaluating for customs purposes imports on the basis of chief weight.

As you know, when the cotton prices reached very high levels, there was then the opportunity for import entries to bring textile goods in under the chief value cotton duty, much lower than the chief value manmade fiber duty.

We will hold the first of our hearings on this subject next week. We will have hearings in Charlotte, N.C., a major textile-producing area, and we will hold hearings in New York City, a major textile-importing center.

Senator BYRD. In your answer, you answered my second question.

Another question, under the present system, customs inspectors must determine the fiber content before they can determine the value of the fibers.

Would it be easier and simpler to base duties on fiber content rather than value?

Mr. MINCHEW. We have not yet done our investigation. I have not seen the report of it, so I would like to make an answer that really is just a personal answer based on commonsense and not on investigative expertise.

It seems to me, when you evaluate on the basis of a value in a blended product, and that value could fluctuate every day, that you have a great deal of room for error. Weights do not vary every day. If you have a pound of cotton today, it is a pound of cotton next week.

I think that would be a much simpler way to proceed—on commonsense principles, not on the basis of an investigation.

As you recall, the Senate Finance Committee last year approved an amendment that would shift from the chief value to the chief weight, technique.

Senator BYRD. The Talmadge amendment?

Mr. MINCHEW. Yes, sir.

Senator BYRD. I take it you are inclined to favor the Talmadge amendment?

Mr. MINCHEW. From what I know about it at this point, I am, but I would like to reserve at this point—we have an investigation going on. I would not like to prejudge what the final outcome might be.

I might be convinced in this investigation that the present system is the very best possible system ever devised. There is going to have to be a lot of work, frankly, to convince me that it would be better than the chief weight.

I want to keep my mind open.

Senator BYRD. I think that is reasonable.

When will these hearings begin, did you say?

Mr. MINCHEW. They begin on Tuesday in North Carolina.

Senator BYRD. How many hearings will there be?

Mr. MINCHEW. We have four hearings. We have them in North Carolina, in New York City, Los Angeles, California and in Washington.

This is a very important subject and I know that the Commissioners are committed to making our report in this particular 332 investigation a report that will be a definitive work on this very complicated and sensitive question. That is a part of the reason we are going out of Washington and to so many places, California, New York, the textile-producing belt as well as here in Washington.

Senator BYRD. I think that is a very good idea.

I thank all of you very much. The full committee will mark up the ITC authorization on Thursday, April 28. The subcommittee is hereby adjourned.

[The prepared statement of Mr. Minchew follows:]

STATEMENT BY DANIEL MINCHEW, CHAIRMAN, U.S. INTERNATIONAL TRADE COMMISSION

Mr. Chairman and Members of the Committee: It is a pleasure for my fellow Commissioners and me to meet with you today. With your permission, I would like to introduce my fellow witnesses to you at this time.

The budget of \$12,187,000 requested by the U.S. International Trade Commission for fiscal year 1978 represents an increase of only \$347,000 from the \$11,840,000 in funds requested for fiscal year 1977. As this increase is less than the net automatic increase in costs of \$373,000 we are asking, in real terms, for a reduction in operating funds. We will however have to request an increase of \$77,000 to cover executive pay raises effective in March 1977, since this cost was not known when the budget was submitted.

Despite our very lean—even reduced—budget for fiscal year 1978, the Subcommittee on Trade of the House Ways and Means Committee, in marking up the Commission's Authorization bill for fiscal year 1978, has recommended a reduction of \$685,000, which would bring the budget total down to \$11,522,000. We are requesting that you restore the budget total to the \$12,187,000 originally planned for fiscal year 1978. Before explaining this request, I would like to review our budget, briefly pointing out some improvements in our operating plans and other recent achievements.

The Commission developed this year's budget request from two major bases: (1) a new work plan by activity, developed in August of last year, which we are using as our approved resource allocation document and (2) reorganization plans developed at the same time and since completed without essential change as we have proceeded with their implementation. We believe that we have now put into place a more effective organization which eliminates our dependence on ad hoc staff assignments, brings responsibility and authority closer together and better defines the functions for which our managers are to be held accountable. We have established as a key element a Director of Operations responsible for all substantive activities, supported closely by a full time investigative staff which will carry out all public investigations, with technical and research assistance from other units. This replaces the old approach of forming ad hoc groups for each investigation. We have introduced badly needed intermediate levels of supervision. We have also added small support staffs to cover important areas of Policy/Planning, Congressional Liaison, Consumer Affairs and Management Services.

The net result of the reorganization has been to reduce the number of positions while raising the average grade of the staff. The plan will help keep costs down in the near term and should continue to produce savings later as we grow more skilled in the efficiencies of the new procedures. While costing us less, we believe our new organization will enable us to accomplish more fully and expeditiously the duties required by statute and projects requested by the Congress and the President. We also hope, by increasing our emphasis on systematic studies and by publishing reports on regularly collected information, to better our professional staff's ability to keep abreast of technical and trade developments. More than 20 such studies and research projects, selected and approved by the Commission, are now underway in accordance with comprehensive research plans. Detailed planning of non-investigative research has become an established activity within the Commission, replacing, rather than adding to the former unstructured research, and is generating a major increase in both the quantity and quality of the U.S. International Trade Commission's published product. A sizeable flow of finished work is about to emerge from this program, which will be reviewed, updated and probably expanded in a few months.

We are currently making preliminary plans towards the use of zero-base budgeting techniques, even though, as an agency outside of the purview of the Office of Management and Budget, we may not legally be required to do so. We are working on a project-control system of management to support eventual zero-base budgets and to increase the ability of managers at all levels to direct the areas for which they are responsible. Also, though we are informed that we are not technically subject to the President's policy limiting the hiring of staff to 75 percent of available vacancies, we intend to follow its spirit. Finally, we have been operating under the provisions of the Sunshine Act since December and are, in fact, the first Federal agency to issue final rules of procedure for the conduct of meetings in the sunshine. We have found this early compliance with the law to be a benefit rather than a liability, giving the public a better understanding of the complex issues with which we deal and of the care that we give them.

Early in fiscal year 1977, we found it necessary to ask for an \$80,000 increase in our fiscal year 1977 travel limitation—a request incorporated in the first House Supplemental Appropriation Act. We did not seek an increase in the amount of our appropriation for fiscal year 1977, since we expected this higher travel cost to be offset by savings in planned personnel costs. We have found it

necessary to make a similar shift between expense categories for fiscal year 1978 since the budget request was submitted to the Congress: adding \$80,000 to planned travel expenses, but reducing personnel and certain production costs by a like amount. Special needs for travel have arisen in connection with certain unfair import practice investigations, as well as some major investigations under Section 332 of the Tariff Act of 1930. Hearings held outside of Washington in connection with several kinds of investigations have also increased the Commission's travel costs; these out-of-town hearings have been a source of much valuable information through testimony from individuals who could not have attended hearings held in Washington, D.C. We believe that removal of the travel limitation in the Commission's Appropriation language is needed, and we have asked the House Appropriations Subcommittee and will ask the Senate Appropriations Subcommittee to make this change in order to allow us reasonable flexibility in operations. If the Committee does not remove the limitation, we ask that it be raised by \$80,000 from the \$242,000 we originally requested, in order to allow for the increased travel requirements being experienced in recent months and expected in the future.

Having briefly reviewed our program and our budget proposal, I would like now to explain our request that you restore the funds cut by the House Trade Subcommittee proposal.

We have, by considerable effort, cut back our own operating costs and streamlined our procedures to such an extent that the bulk of the cut recommended by the House could only be accomplished by a further reduction in the size of the Commission's staff, with a corresponding reduction in the Commission's effectiveness. We would like to remind the Subcommittee that the U.S. International Trade Commission has voluntarily cut back its authorized staff through its recent reorganization. We have not yet completed our analysis of all of the implications of the newly proposed reduction, but it appears that staff size, already reduced from a planned 426 to 395 by the reorganization, would need to be dropped again to about 370—over 13 percent below the level authorized for fiscal year 1976. A staff cutback of this scale, in the face of continuing high and urgent demands for the Commission's services, would save pennies but waste dollars.

Members of the House Subcommittee suggested that most of the proposed cut should be absorbed by scrapping, in large part, the Commission's plan to increase the staff resources devoted to investigations initiated by the Commission on its own motion under section 332 of the Trade Act of 1930. These investigations, and other special studies which I have discussed earlier in this statement, do not, as the House apparently believed, represent totally new work which could be cut back without marring the Commission's overall effectiveness. Nothing could be farther from the true situation. These projects simply represent a better organized, efficient allocation of existing resources which were, before, devoted to a less productive, less effective program of research.

If we are compelled to reduce the resources devoted to research by the amount proposed by the House Subcommittee, we will be cutting into the bone of our staff expertise, as well as preventing the development of information which would assist the nation's trade policymakers. While short-term operations might continue with little obvious effect, the effects of the cutback would soon show up clearly in a reduction in our ability to provide the Congress, the Executive, and the public with up to date research and advice in many important areas of international trade.

Lesser elements of the cut recommended by the Ways and Means Trade Subcommittee include \$40,000 reflecting expected savings in printing and related costs resulting from recent Commission printing policy changes, and \$22,000 in travel, much of which would be accomplished by restricting the travel of individual Commissioners. We informed the Trade Subcommittee of the savings from the new printing policy and told them that this saving was needed by the Commission to meet the expected increase in travel costs from \$242,000 to \$322,000. The committee cut of \$40,000 thus amounts to using the same savings twice, once to finance higher travel costs and once to reduce the total budget. This is an obvious impossibility.

Although I personally have no problems with the proposed restriction of Commissioners' travel, as Chairman of the Commission, I recommend that the restriction not be applied. I believe that Commissioners have used their travel allowances wisely to the benefit of the Commission and the general public. To

restrict individual Commissioners to firmly fixed travel allowances could eliminate operating flexibility and consequently reduce our effectiveness. The Commission asks that this restriction, like the Appropriation language limiting total travel, be removed.

We therefore ask that you approve the full \$12,187,000 requested by the Commission for its fiscal year 1978 operations so that, having put our problems behind us, we can meet our responsibilities not just adequately, but in keeping with the high standards expected of us.

[Thereupon, at 11:10 a.m., the subcommittee adjourned.]

[By direction of the chairman the following communications were made a part of the record:]

THE INTERNATIONAL TRADE COMMISSION SHOULD DO A BETTER JOB
IN ANALYZING THE IMPACT OF IMPORTS

By DAVID J. STEINBERG¹

The International Trade Commission's analyses of alleged serious injury to an industry from import competition reveal neglect of an area of inquiry which would not only be helpful to the President and the Congress but is in fact required of the Commission by the Trade Act of 1974.

Under Section 201(b)5, the Commission, "for the purpose of assisting the President in making his determinations" in import-relief cases where it has found serious injury to have occurred or to threaten, is required to "investigate and report on efforts made by firms and workers in the industry to compete more effectively with imports." In its commentary on this requirement, the Senate Finance Committee's report on the "Trade Reform Act of 1974" (page 122) states: "The escape clause is not intended to protect industries which fail to help themselves become more competitive through reasonable research and investment efforts, steps to improve productivity and other measures that competitive industries must continually undertake."

Commission investigation and evaluation in this regard are not only required by law as essential to the President's fulfillment of his responsibilities under this legislation; they implicitly call for Commission inquiry (and Presidential judgment in the escape-clause cases that reach him) on the extent to which government domestic policy (statutes, regulations, etc.) may be unfairly impeding industry efforts to adjust successfully to foreign competition. To the extent that such impediments exist, they should be corrected. Such reforms belong in a coherent policy of constructive government assistance to an ailing industry, regardless of what government action may be taken concerning the imports in question. An industry-wide adjustment strategy—over and above adjustment assistance (as now defined) to particular firms and workers, and with or without trade restriction—is one of the options the President may choose (it is, in my view, a course of action he should choose) in addressing the problems and needs of an industry that has been seriously impacted by imports. The Trade Act does not explicitly provide for it, but nor does the Act prevent it.

It is essential that the President be fully apprised of all aspects of the industry problem on which he is required to make a decision. Full compliance with Section 201(b)5 of the Trade Act should consequently be a significant part of the Commission's report to the President and of the Commission's statutory obligation to assist him in his responsibilities under Sections 202 and 203 of the Act.

Escape-clause cases provide a vehicle (albeit not the only one or the best) for diagnosing the real problems and needs of industries whose weaknesses have been exposed by the serious difficulties which foreign competition may pose. It should be used effectively to foster sound solutions to the serious problems of these sectors of our economy, and in ways that advance the total public interest. It has rarely if ever been so used. Because of these and other deficiencies in our policy apparatus, the government reacts to symptoms without acting on the illness in all its aspects. Where serious injury to an industry has been affirmed, the policy options are not limited to import restriction (which is in-

¹The witness, presenting his personal views, is president of the U.S. Council for an Open World Economy. The Council is a nonprofit, private organization engaged in research and public education on the merits and problems of achieving a more open world economy.

dustry-wide) and/or adjustment assistance (which, as now defined in government policy and practice, relates to individual firms, workers and communities). Full compliance with Section 201(b)5 would help both the Commission and the President determine the extent to which industry-wide remedies (of which import restriction is only one and the least desirable) are justified.

STATEMENT OF THE LINER COUNCIL, AMERICAN INSTITUTE OF MERCHANT SHIPPING

The American Institute of Merchant Shipping (AIMS) is the national trade association of the U.S.-flag steamship industry. This statement is presented on behalf of the cargoliner members of AIMS who collectively own and operate over 200 vessels in our nation's foreign trades.

These companies are all members of steamship conferences, entities which have been established under the Shipping Act of 1916 and the Regulations issued pursuant thereto by the Federal Maritime Commission.

This statement has the particular endorsement of the Far East Conference, the member carriers of which transport cargoes between our Atlantic and Gulf ports to Japan, Korea, Hong Kong, Taiwan, the Philippines and other points in the Far East, and also the Pacific Westbound Conference, whose members serve similar destinations from our Pacific ports.

AIMS urges the Committee to consider carefully whether it should authorize the further expenditure of public funds for two projects mandated by Section 608 of the Trade Act of 1974. We refer to the recodification of United States export statistics to secure comparability of export, import, and domestic production data, in line with Section 608(b), and furtherance of harmonization of United States statistical systems with the systems used by other nations for similar purposes, according to Section 608(c). We have no quarrel with the objectives of the statutory provisions. We do, however, firmly believe, for the reasons detailed below, that the manner in which the comparability project has proceeded precludes the attainment of international harmonization and, if implemented, would render worthless the now immensely valuable historical export data accumulated under the coding system of Export Schedule B—a system which is capable of international harmonization.

The countries with which the United States trade vary from those which are barely at the threshold of industrialization to those which are well in the forefront of twentieth century technological advances. Most of the merchants who ship their products on our ships face a very high degree of competition from the industrialized nations of Europe and Asia, or from nations endowed with agricultural and mineral resources in other parts of the world.

The fortunes of United States manufacturers, importers and exporters determine the fortunes of ocean carriers. If merchants can sell a particular item in the overseas markets, there is cargo for the carriers to move. If they cannot, there is no cargo for the carriers, and hence no revenue.

Accordingly, it is quite important that Conferences and carriers be able to relate the items in their tariffs to statistical compilations which show the trend of exports and imports of the United States and, on many occasions, to statistics evidencing the manufacturing and exporting capabilities of competing producing countries.

The commodities in tariffs of ocean carriers and Conferences have traditionally been arranged alphabetically by description. The descriptions were basically those furnished by merchants requesting the inclusion of items in the tariff.

More recently, there has been an increasing recognition of the desirability of correlating tariff items with governmental statistical compilations, thus allowing carriers to better adapt their rates and services to actual market conditions and needs. For example, the Far East and Pacific Westbound Conferences, after meeting with officials of the Department of Transportation, Bureau of the Census, and Federal Maritime Commission, were convinced they were taking a positive step in facilitating international trade and simplifying procedures by converting their tariffs to the U.S. official classification and coding system for exports, namely the Schedule B system published by the Bureau of the Census. Actual implementation of this decision took over two years, involved considerable time and extraordinary expense, including the services of an outside consultant, and resulted in the complete restructuring of the previous tariffs. The revised tariffs of these two Conferences became effective in early 1975, and have already achieved many of the benefits for which they were designed.

No sooner was this work completed than the International Trade Commission and the Bureau of the Census, in seeking comparability of export, import and production data under Section 608(b), decided, without consultation with major users of Schedule B, to adopt the Tariff Schedules of the United States (TSUS) as the framework for a new export schedule. This radical change in the system of classification used by the government for compiling statistics of United States exports will effectively destroy the usefulness of current systems and data accumulated thereunder over many years.

We understand the Commission is currently proceeding with work on a revised United States export statistical system based on the TSUS, and the Commission then will attempt to rationalize the system thus created with the existing international classification system, the Standard International Trade Classification (SITC).

We believe this second step will not prove feasible. The system for grouping items in the TSUS may be well suited for administration of the tariff laws of the United States. However, most international trade statistics have, since World War II, been collected according to an entirely different classification and coding system, the SITC of the United Nations. We do not believe that the two systems can be reconciled or that a concordance of reasonable dimensions could be compiled.

Unless the United States representatives participating in the Harmonized Systems Committee in accordance with Section 608(c) (2) of the Trade Act of 1974 can persuade the other participants to abandon the underlying structure of existing basic international classifications for the harmonized system, and to align it to the TSUS, the United States would either have to proceed with an incompatible system of its own or scuttle its TSUS-oriented comparability project and move toward an SITC-oriented system—which Schedule B already is. We think it most unlikely that these other participants, representing virtually every major trading nation in the world, can be so persuaded.

Any of these developments would basically reduce the value of any data accumulated before step one, and also between the accomplishment of step one and the accomplishment of step two.

Every time there is a change in classification involving a regrouping of items, the continuity of statistics is broken, and the possibility of tracing statistics on a particular item, for any substantial period is eliminated. The intended procedure would first end the value of the statistics previously gathered under Schedule B, and then would terminate the value of statistics on exports compiled during the interim period—except in the unlikely event that the United States can persuade the rest of the world to orient itself to the TSUS. Thus, all of us who are concerned with promotion of the United States exports will, for a number of years, be deprived of a basic tool.

From the point of view of harmonizing a transportation tariff with classifications for statistical purposes, the structure of the SITC system is infinitely preferable to the structure of the TSUS. In the former, in each major category the classification proceeds from the general and inclusive description to more specific descriptions. That is not generally true of the TSUS. Experience in adapting Schedule B to ocean tariffs demonstrated that one could make do with generic descriptors or proceed down the scale to more and more specific descriptors, depending on the nature of the cargoes tendered for transportation in the trade. The TSUS just does not have the same utility for constructing ocean tariffs and analysis of freight marketing problems.

In conclusion, we assure the Committee that ocean carriers and Conferences support efforts by the government to simplify and improve our international trading and transportation procedures and systems. We need to have statistical systems that are comparable to those utilized by our major trading partners, and which will promote and enhance the competitive positions of our manufacturers, exporters, importers and carriers alike. For the reasons we have noted, the system being developed by the ITC, in implementation of Section 608(b), using the TSUS as a basis, will simply not be adequate, and indeed would be a substantial detriment to our international trading position.

We would appreciate your inserting this statement in the record of your hearings on the authorization for the International Trade Commission.