

Calendar No. 467.

66TH CONGRESS, }
2d Session. }

SENATE.

{ REPORT
No. 510.

DUTIES ON IMPORTS.

APRIL 8, 1920.—Ordered to be printed.

Mr. SMOOT, from the Committee on Finance, submitted the following

REPORT.

[To accompany H. R. 10918.]

The Committee on Finance, to whom was referred the bill (H. R. 10918) to provide revenue and encourage domestic industries by the elimination, through the assessment of special duties, of unfair foreign competition, and for other purposes, having considered the same, report favorably thereon with the recommendation that the bill do pass with an amendment.

Your committee recommends the amendment of the House bill by striking out the whole of the House bill after the enacting clause, and inserting in lieu thereof the following:

That when used in this act—

The word "person" shall include individuals; partnerships, corporations, and associations;

The term "purchase price" shall mean the price or amount paid or to be paid for purchased merchandise as packed ready for shipment to the United States;

The term "selling price" shall mean the price or amount paid or to be paid by the person to whom imported merchandise obtained otherwise than by purchase shall be sold in the United States, not including duties, commissions, or any expenses subsequent to shipment of the merchandise to the United States;

The term "purchased merchandise" shall apply to imported merchandise, dutiable or free, when the price or amount to be paid therefor by a person in the United States to a person in a foreign country or to his agent or representative in the United States has been fixed or agreed upon, at the time of or prior to the exportation of the merchandise, whether the merchandise is shipped directly to the purchaser or to an agent of the seller or to the seller's branch house in the United States for delivery;

The phrase "otherwise than by purchase" shall apply to imported merchandise, dutiable or free, shipped from a foreign country to the

United States without a price or consideration paid or to be paid by a person in the United States to a person in a foreign country or to his agent or representative in the United States having been fixed or agreed upon at the time of or prior to the exportation of the merchandise;

The term "United States" shall mean the United States and any territory or place subject to the jurisdiction thereof except the Philippine Islands, the islands of Guam and Tutuila, the Virgin Islands, and the Isthmian Canal Zone;

SEC. 2. That whenever the purchase price of imported merchandise, dutiable or free, of a kind or class made or produced in the United States shall be less than the actual market value thereof, as defined in section 3 of an act entitled "An act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913; or, if there be no such actual market value, whenever the purchase price of said merchandise shall be less than the price at the time of exportation for which such merchandise shall be sold for exportation to a country other than the United States; or in case there is neither said actual market value nor said price for exportation; or in case said value or price can not be ascertained to the satisfaction of the appraising officer, whenever the purchase price of said merchandise shall be less than the cost of production, as prescribed in paragraph L of section 3 of said act of October 3, 1913, there shall be levied, collected, and paid, in addition to the duties, if any, otherwise provided by law on such imported merchandise a special or dumping duty in the amount of the difference between the purchase price and said actual market value, or between the purchase price and said price for exportation to a country other than the United States, or between the purchase price and said cost of production, as the case may be: *Provided*, That such special or dumping duty shall not apply to any advance in said actual market value or in said price for exportation, as the case may be, between the time of purchase and the time of exportation of the merchandise;

SEC. 3. That whenever the selling price of imported merchandise, dutiable or free, of a kind or class made or produced in the United States shall be less than the actual market value as defined in said section of said act of October 3, 1913, or if there be no such actual market value, whenever the selling price of said merchandise shall be less than the price at the time of exportation for which such merchandise shall be sold for exportation to a country other than the United States, or in case there is neither said actual market value nor said price for exportation, or said value or price can not be ascertained to the satisfaction of the appraising officer, whenever the selling price of said merchandise shall be less than the cost of production, as prescribed in paragraph L of section 3 of said act of October 3, 1913, there shall be levied, collected, and paid, in addition to the duties, if any, otherwise provided by law on such imported merchandise, a special or dumping duty in the amount of the difference between the selling price and said actual market value, or between the selling price and said price for exportation to a country other than the United States, or between the selling price and said cost of production, as the case may be.

SEC. 4. That if any person selling, shipping, consigning, or manufacturing merchandise exported to the United States shall fail or refuse to submit to the inspection of a duly accredited investigating officer of the United States, when so requested to do, any or all of his books, records, or accounts pertaining to the value or classification of such merchandise, then the Secretary of the Treasury is hereby empowered and directed, while such failure or refusal continues, to refuse entry into the United States of any goods, wares, or merchandise, sold, shipped, consigned, or manufactured by such person.

SEC. 5. That any person who shall by rebate or concession, or by any other means, directly or indirectly, effect a reduction or diminution of the purchase price, or of the selling price, whereby the purchase price or the selling price of imported merchandise, dutiable or free, covered by this act shall be less than the actual market value, or the price for exportation, or the cost of production, as the case may be; and any person importing said merchandise, or to whom said merchandise shall be consigned, who shall fail or refuse to submit to the inspection of a duly accredited investigating officer of the United States, when so requested to do, any or all of his books, records, or accounts pertaining to said merchandise, shall upon conviction be fined for each offense a sum not exceeding \$5,000, or be imprisoned for a time not exceeding two years, or both, in the discretion of the court.



Calendar No. 467.

66TH CONGRESS, }
2d Session. }

SENATE.

{ REPT. 510,
Part 2. }

DUTIES ON IMPORTS.

APRIL 22, 1920.—Ordered to be printed.

Mr. THOMAS, from the Committee on Finance, submitted the following

VIEWS OF A MINORITY.

[To accompany H. R. 10918.]

The undersigned, members of the Finance Committee of the Senate, are opposed to the passage of the bill (H. R. 10918) to provide revenue and encourage domestic industries by the elimination, through the assessment of special duties, of unfair foreign competition, and for other purposes, for the following reasons:

The title of this bill is partly misleading. It will not provide revenue. It proposes to encourage domestic industry by prohibiting foreign competition under the guise of destroying unfair competition. It is popularly known as the antidumping bill, an expression which conveys a fairly intelligent idea of its purpose.

The bill is based upon the assumption that goods of foreign manufacture have been assembled in great quantities during the war, due largely to its dislocation of outside markets, which are to be imported to America and sold here at prices below the cost of domestic manufacture and distribution, thus arresting domestic production and threatening the prosperity of domestic manufacturers.

If there be such a menace its visitation would not in these days of exorbitant prices and expensive living be an unmixed evil. Indeed, most people would welcome such a blessed relief from the exactions of the home market, for it might enable most of them to limit their necessary expenses to their incomes. We would be inclined to welcome the experiment, for we are convinced that it would prove much more of a blessing than a curse.

But no such condition confronts us of which we are aware. We have listened to many assertions of its existence, but have been favored with little positive evidence to support them. Every manufacturer and many merchants believe that with the reaction of peace there will come a reaction of prices through a flood of imports. Belief stimulated by self-interest easily ripens into conviction, and that in turn appeals to Congress for preventive legislation. This, and this alone, in my opinion, is the moving force behind this bill. The monopoly in trade and manufacture which our people enjoyed

during the war was virtually complete. Its beneficiaries yield with reluctance to its overthrow by the return of peace, and would continue it by the imposition of drastic legal restrictions upon inevitable future competition. Hence this bill.

To assert that the leading commercial nations of Europe were during the Great War engaged in manufacturing and storing huge quantities of merchandise for dumping purposes after the return of peace is to ignore the history of that war. All of them were participants. Each was compelled to marshal its resources and exert every effort to overcome the adversary. It was a war of resources. The consequent dislocation of all producing and distributing agencies and their conversion into manufacturers and transporters of war supplies, to say nothing of the difficulty, and in many cases the impossibility of obtaining raw material, necessarily suspended the normal life of these nations. Their energies were devoted to the supreme task of waging the war, whose close found them so exhausted both in men and resources that their recovery and resumption of civil pursuits must be slow, and will doubtless extend over a period of several years. Our participation in the war was of comparatively short duration, yet our surplus production was completely suspended, save as to food and basic material. European apprehension of American dumpage might be justified. The reverse borders upon the absurd. Hence, the bill is both needless and illogical.

But assuming the contrary, the bill is indefensible. It provides in substance that whenever the purchase price of imported merchandise, dutiable or free, of a kind or class made or produced in the United States shall be less than the actual market value thereof as defined in the revenue act of 1913, or, if there be no such actual market value, whenever such purchase price shall be less than the price at the time of exportation for which such merchandise shall be sold for exportation to some other country; or, in case such value or price can not be ascertained to the satisfaction of the appraising officer, whenever such price shall be less than the cost of production as prescribed in said act, there shall be levied, collected, and paid, in addition to other duties, if any, a special or dumping duty in the sum of the difference between purchase price and actual market value, or such price and said price for exportation to some other country, or between such price and said cost of production, save that such special or dumping duty shall not apply to any advance in actual market value or in said price for exportation, as the case may be, between the time of purchase and the time of exportation.

A similar provision applies to the selling price of imported merchandise, dutiable or free, under similar conditions.

Then follow two sections imposing penalties for the violation of any requirement of the law. Their maximum is \$5,000 or two years imprisonment, or both.

Inasmuch as this bill relates to the free as well as the dutiable list, it is obvious that the former will be virtually eliminated by it. Every consignment of goods on that list must meet its terms and pass to the dutiable list with every imposition of the surplus duty, and every American manufacturer of free commodities will take care that the requirements of the bill will be rigidly enforced. And we may be sure that every doubt of the facts or the law will be construed against the importer.

Heretofore articles have been free listed for reasons other than competition or cost of production. Hence, no offense against law or policy could be predicated of such conditions. If now they are to govern that list, it must shrink and finally disappear. If that be a necessary or desirable policy, it should not be adopted by indirection. In other words, let the free list be repealed or retained, but do not subject its items to the destructive operation of this insidious proposition.

But the bill is also designed to suppress importations by a system of special duties which will always be the equivalent of any profit that the importer might otherwise obtain. Both purchase and sale are to be penalized, and both processes are to apply to every importation. It will be an easy task to bring purchase price or selling price, or both, within the range of the duty-fixing sections of the bill, and as usual the American consumer will bear the added burden, the American manufacturer will reap the added profit, and the American Treasury will receive no sensible, certainly no permanent, addition to its income.

Of course, the expense of administering the law will be considerable. The present corps of inspectors and appraisers will be sensibly increased, and controversies, always expensive and troublesome, will multiply, and the sum of all these accomplishments will be the complete or partial destruction of the free list, the creation of prohibitory tariff rates, falling imports, the extension of American monopolies, and the perpetuation of the high cost of living.

It may be economically desirable to hamper and restrict imports, but it is somewhat hazardous to do so by necessarily ill-considered legislation at the close of a great war. Selfish interests are apt to forget or disregard the unavoidable fact that foreign trade is reciprocal; that it consists principally of exchange of commodities; that if we do not buy we can not sell; that our export trade must suffer when our import trade suffers; and that we may destroy it if we choose, but at the expense of foreign markets for our own surplus products. The crop of so-called tariff bills which the House has harvested and which the Senate is incubating clearly aims at the substitution of prohibition for protection, of embargoes, license bureaus, and an antidumping policy for a system heretofore making at least a pretense of tariffs for revenue. If successful, other protected interests will demand and receive the same legislation, and Federal bureaus will administer and control all the industrial and commercial affairs of the Nation. The enormous added expense of the system will be fully equalled by the countless complications and obstacles it will fasten for all time upon practically every phase of our economic life.

C. S. THOMAS.
J. F. NUGENT.

