

EXPRESSING THE SENSE OF CONGRESS WITH RESPECT TO CERTAIN TRADE AGREEMENTS

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Mr. LONG of Louisiana, from the Committee on Finance, submitted
the following

R E P O R T

[To accompany S. Con. Res. 100]

The Committee on Finance, having had under consideration various proposals relating to the conduct of negotiations under the Trade Expansion Act of 1962, reports favorably a concurrent resolution to express the sense of Congress with respect to certain agreements which would necessitate the modification of duties or other import restrictions, and recommends that the concurrent resolution be agreed to.

PURPOSE OF THE RESOLUTION

This resolution expresses the sense of Congress that in the conduct of or in connection with negotiations to carry out the Trade Expansion Act of 1962, no agreement or other arrangement which would necessitate the modification of any duty or other import restriction applicable under the laws of the United States should be entered into except in accordance with legislative authority delegated by the Congress prior to the entering into of such agreement or arrangement.

GENERAL STATEMENT

Background.—Until 1934, delegated authority to cut U.S. tariffs on imported articles was limited to determinations under the so-called flexible tariff provision which permitted tariff charges based upon comparative costs of production in order to equalize the costs of production here and abroad. With this exception ratemaking was primarily a function of Congress. Beginning in that year, however, this Nation embarked upon a new course in foreign trade policy. For the first time Congress delegated broad tariff-cutting authority to the President empowering him to offer reductions in U.S. tariffs on articles imported from abroad in return for concessions from

foreign countries reducing barriers to U.S. exports. In 1945, 1955, and 1958, Congress delegated authority to the President to cut our tariff rates by additional amounts.

Each of these grants of authority provided for tariff reductions to apply equally to products of any nation. Under this delegated authority, articles coming from any country would be treated no less favorably than those from another country that did not discriminate against our commerce. Most-favored-nation treatment since the early 1950's has not been accorded products of Communist countries, and such products remain subject to the higher statutory rates of duty without regard to our tariff concessions.

This reciprocal trade policy has worked well within the framework of a constitutional system of checks and balances which vests in Congress the sole authority to change tariffs and confers on the President the sole authority over international negotiations. In this area where neither Congress nor the President has sufficient power to act independently of the other, the two branches since 1934 have joined their strengths to overcome their weaknesses. Thus, Congress delegated tariff-cutting authority in advance and the President entered into reciprocal trade agreements providing for tariff reductions pursuant to that authority. Historically, it has not been the practice under our trade policy to first enter into a tariff-cutting agreement and then seek its implementation.

Trade Expansion Act of 1962.—Because of the success of the reciprocal trade policy and because the existing tariff cutting authority had been exhausted, Congress approved the continuation of this policy in the bold new provisions enacted in the Trade Expansion Act of 1962. It not only continued the authority for the President to reduce our tariffs in return for concessions from foreign nations, but also for the first time authorized the complete elimination of some duties. Another important innovation in U.S. trade policy made by that act was the concept of adjustment assistance for workers and firms. This assistance, though still unused, was designed to relieve distressed workers and firms hard hit by import competition resulting from tariff concessions extended under authority delegated by Congress.

The basic negotiating authority under the Trade Expansion Act empowers the President to proclaim such modification or continuance of any existing duty or other import restriction as he deems appropriate to carry out any trade agreement entered into under that act, except that he may not cut any rate of duty to a rate below 50 percent of the rate existing on July 1, 1962. The President is further empowered to negotiate the complete elimination of duties where the rate in question is not more than 5 percent ad valorem or its equivalent, or where more than 80 percent of the world export value of an article is accounted for by the United States and the countries of the European Economic Community. Similarly, he may eliminate duties on certain agricultural commodities and on tropical commodities.

Authority to enter into trade agreements under the Trade Expansion Act expires June 30, 1967.

Reasons for the resolution.—The Committee on Finance has been pleased with the operation over the years of Congress partnership with the President in foreign trade matters. Long experience convinces us that arming the President in advance with tariff-cutting

authority is the most effective means of achieving fair and equitable expansion of trade in the free world. Under this historical procedure, Congress, which is constitutionally vested with sole power to lay duties (art. 1, sec. 8), may weigh the merits of tariff reductions and the extent of contemplated concessions uninhibited by the international implications of a failure to implement obediently a trade agreement already negotiated by the President. It may similarly consider the circumstances under which adjustment assistance is appropriate.

The Committee on Finance has been disturbed over reports that the current Kennedy round of tariff negotiations may be broadened to include U.S. offers of concessions with respect to matters for which there is no existing delegated authority. In the committee's view, this would violate the principles which have made our reciprocal trade program so successful for more than three decades.

It has been reported that one area in which our negotiators may offer concessions concerns the American selling price method of valuation, which is part of the tariff determination process with respect to canned clams, and certain knit gloves, and more importantly, rubber-soled footwear (principally of the sneaker type) and benzenoid chemicals, the so-called coal tar products. Our negotiators concede that no delegation of authority exists, either under the Trade Expansion Act of 1962 or any other existing legislation, to modify the American selling price system pursuant to a trade agreement.

Another area may involve the treatment of "dumped" goods by the country in which the dumping occurs. This problem concerns unfair trade practices in a domestic economy and it is difficult for us to understand why Congress should be bypassed at the crucial policymaking stages, and permitted to participate only after policy has been frozen in an international trade agreement.

Congress has been no less forward-looking than the executive branch in trade matters and any action by our negotiators which tends to subordinate and degrade the important congressional role should not be condoned and will be resisted. The committee recognizes that our Constitution empowers the President alone to enter into international agreements and treaties. We do not question the legality of an agreement involving a trade matter for which no prior authority has been delegated. Our concern is that the experience gained over more than 30 years of a working partnership between the Congress and the Chief Executive may be set aside. It is this concern that moves us to protect the congressional role. We hope our negotiators will understand the great wisdom of confining their activities to those areas in which they have been authorized by Congress to proceed.

SUMMARY

For the reasons stated above, the Committee on Finance reports this resolution to express the sense of Congress that our trade negotiators in Geneva should not enter into any agreement or other arrangement which would require the modification of a U.S. duty or other import restriction except in accordance with clear legislative authority delegated by Congress prior to the negotiation.