

Calendar No. 260

78TH CONGRESS }
1st Session }

SENATE

} REPORT
No. 258

EXTENDING THE AUTHORITY OF THE PRESIDENT UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED

MAY 20, 1943.—Ordered to be printed

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

REPORT

[To accompany H. J. Res. 111]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 111) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, having considered the same, report favorably thereon with an amendment and recommend that the joint resolution as amended do pass.

The amendment approved by a majority of the committee is as follows:

In line 8, before the period, insert a colon and the following:

Provided, That every foreign trade agreement concluded in accordance with the provisions of said Act as amended, shall be subject to termination six months after the cessation of hostilities in the present war as fixed by proclamation of the President, pursuant to joint resolution of the Congress or by the President

There is substantial disagreement within the committee concerning the above amendment, and those who opposed the amendment reserved the right to resist it on the floor and to seek passage of the joint resolution without this amendment.

For the information of the Senate there is attached hereto and made a part of this report the report of the House Committee on Ways and Means which accompanied the joint resolution (H. Rept. No. 409, 78th Cong., 1st sess.).

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Union Calendar No. 143

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 409

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

MAY 5, 1943.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. J. Res. 111]

I

The Committee on Ways and Means, to whom was referred the joint resolution (H. J. Res. 111) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, having had the same under consideration, report it back to the House with an amendment, and recommend that the joint resolution, as amended, do pass.

The original Trade Agreements Act of 1934, and the continuing resolutions of 1937 and 1940, are printed at the end of this report for the information of the House.

The amendment approved by the committee is as follows:

SEC. 2. Section 350 (a) (2) of the Tariff Act of 1930 (U. S. C., 1940 edition, title 19, sec. 1351 (a) (2)) is amended by inserting after "because of its discriminatory treatment of American commerce or because of other acts" the following: "(including the operations of international cartels)".

II

THE TRADE AGREEMENTS ACT AND ITS ADMINISTRATION

THE ACT

The Trade Agreements Act of 1934 authorizes the President:

(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

(2) To proclaim such modifications of existing duties or other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article—

as is appropriate to carry out agreements made.

The act provides, as a limitation on the authority—

No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and the free lists.

The initial term of an agreement may not be longer than 3 years, and each agreement must be terminable at the end of this period or thereafter upon not more than 6 months' notice.

This authority is granted "for the purpose of expanding foreign markets for the products of the United States." It is to be exercised only if the President "finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States." It is to be exercised "by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets * * *."

Before any trade agreement can be entered into, the President must ~~seek~~ information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate"; and in each case "reasonable public notice of the intention to negotiate an agreement" must be given "in order that any interested person may have an opportunity to present his views."

The act provides that when new duties are agreed to and proclaimed they "shall apply to articles the growth, produce, or manufacture of all foreign countries whether imported directly or indirectly" with appropriate provision for suspension of trade-agreement benefits in the case of countries which discriminate against our commerce, or which take other action tending to defeat the purposes of the act. With the exception of the special provision in the act for the continuance of preferential arrangements with Cuba, which go back to 1902, the act thus continues the traditional trade policy of the United States not to discriminate between foreign nations but to extend equality of tariff treatment to all who do not discriminate against the trade of this country.

The Trade Agreements Act does not authorize the conduct of any portion of our export or import business by the Government of the United States. It seeks to lighten the restrictions, both in this country and abroad, on the operations of private businessmen, and leaves the rest to private enterprise. The existing wartime conduct of large portions of our foreign trade by government is under other laws.

The authority of the President to enter into agreements under the act was originally granted for a term of 3 years only. It has been renewed twice since, each time for a like term and without change. It will expire June 12, next, unless renewed. The present resolution, if adopted, will renew it for another 3-year term.

THE ADMINISTRATION OF THE ACT

The act, it will be noted, did not create a special new commission to advise the President, but instead directed him to utilize the specified existing departments and agencies for advice and information in the administration of the act.

Pursuant to this provision in the act, an effective interdepartmental organization has been developed with a view to bringing to bear upon each detailed question all the facts available. The interdepartmental trade-agreements organization is designed to draw on the full information and resources of the qualified Government agencies and to obtain the views and all pertinent facts which private interests desire to furnish on the items under consideration.

The Committee for Reciprocity Information, which is composed of responsible officers of the Tariff Commission and the Departments of State, Commerce, Agriculture, and Treasury, is the interdepartmental agency through which private interests present their views and information. The Vice Chairman of the Tariff Commission serves as Chairman of the Committee and most of the members of this committee also serve as members of the Trade Agreements Committee, the interdepartmental committee which coordinates the work of all the interested Government agencies in the administration of the trade-agreements program.

When it has been determined to attempt negotiation of a trade agreement with any country, and before negotiations start, notice of intention to negotiate is published in the Federal Register, other governmental publications, and in the press. The notice names the country, and along with it is published a list of products on which concessions in the American rates will be considered. No concession is considered on any product which is not included in this list. Upon the announcement by the Secretary of State that a trade agreement is to be negotiated with a particular country, the Committee for Reciprocity Information sets a date (usually more than 30 days after the Secretary's announcement) for a public hearing before the committee and a date for the filing of briefs (usually a week or more before the date of the hearing). Both oral and written statements may be offered before the committee, and there are no restrictions on the character of the considerations that may be heard. Full opportunity is given to everyone concerned to present whatever facts or views he wishes. In addition to the holding of such regular hearings prior to the commencement of negotiations the committee stands ready at all times to hear interested parties on a formal or informal basis whenever they desire to present additional facts or arguments bearing on possible concessions. Many such informal meetings with interested private groups have been held after the formal hearings have been concluded.

The information so presented to the Committee for Reciprocity Information is thoroughly organized and briefed for convenient use of the trade-agreements organization by the specialists on the staff

of the Tariff Commission. Exact copies of formal briefs submitted and full transcripts of the hearings are available to and are carefully studied by each agency concerned.

Digests of all available information are prepared by the United States Tariff Commission and the Department of Commerce on all commodities that are under consideration. For items being considered for possible concessions by the United States, the digests furnish, among other things, a history of the United States tariff rates on the commodity together with ad valorem equivalents of the rates, a description, and an account of the uses of the commodity, the size, and characteristics of the United States industry, and of the foreign industry which produce the commodity, the import and export trade, conditions of competition, and other considerations.

As each of the agencies specified by the act is represented at every level of the preparatory work, all of the resources of each are utilized. The care with which this work is done is illustrated by the digests which the Tariff Commission has made public following the completion of each agreement.

Members of the Tariff Commission are on the main Trade Agreements Committee and the specialists of the staff and the full informational resources of the Commission are utilized at all stages of the negotiations. Representatives of the Commission are members of the country committees where the detailed work is done of preparing the information required by the Trade Agreements Committee in its consideration of the trade agreement.

Similarly the Department of Commerce's full resources are utilized, particularly in furnishing technical information and advice concerning the nature of the concessions to be sought from the other government in the interest of American exports.

The Department of Agriculture, through its representatives on all committees, furnishes full information and advice on all items pertaining to both imports and exports of agricultural products.

The Treasury Department supplies information and advice on all questions pertaining to its field of interest, including customs revenues and customs administration.

The Department of State acts as the coordinating agency through which the findings and recommendations of the Trade Agreements Committee are presented to the Secretary of State and the President for consideration and approval. The international negotiations involved are carried out by the Department of State, assisted by the interested agencies of the interdepartmental organization. All negotiations are confined to and based on the approved findings and recommendations of the Trade Agreements Committee.

The interdepartmental organization does not shut itself off from contacts with private interests even after a trade agreement has been signed and has entered into force. The Committee for Reciprocity Information stands ready at all times to receive the views of interested persons or organizations concerning any aspect of the operation of agreements. Informal conferences or hearings are arranged whenever anyone has a complaint to make. Such complaints have been remarkably few, attesting to the care with which the agreements have been formulated. In several cases, adjustments have been made either through supplementary agreements or pursuant to "escape" clauses in the agreements. Under this procedure any necessary future adjustments can be made.

It is clear that the successful administration of the trade-agreements program requires the combined efforts and resources of various departments and agencies in the Government. The committee is satisfied that the existing interdepartmental organization has brought the full resources of the Government to bear upon the problem in an effective and economical manner with the sole view of carrying out the policies prescribed by Congress in the best interest of the Nation as a whole. The results achieved under the trade-agreements program during the past 9 years of its operation fully support this conclusion.

RESULTS

Agreements entered into.

During the past 9 years reciprocal trade agreements have been concluded with the following 27 countries, in the order in which the agreements were signed: Cuba, Brazil, Belgium and Luxemburg, Haiti, Sweden, Colombia, Canada, Honduras, the Netherlands, Switzerland, Nicaragua, Guatemala, France, Finland, Costa Rica, El Salvador, Czechoslovakia, Ecuador, the United Kingdom of Great Britain and Northern Ireland, Turkey, Venezuela, Argentina, Peru, Uruguay, Mexico, and Iran. Negotiations are in progress with Bolivia and Iceland.

Over 65 percent of the total foreign trade of the United States is carried on with the countries with which reciprocal trade agreements have been concluded. The United Kingdom and Canada are, respectively, the largest and the second largest customers for American exports.

Under the act, agreements have been made as follows:

Country	Signed—	Effective—
Cuba.....	Aug. 24, 1934	Sept. 3, 1934
Brazil.....	Feb. 2, 1935	Jan. 1, 1936
Belgium and Luxemburg.....	Feb. 27, 1935	May 1, 1935
Haiti.....	Mar. 28, 1935	June 3, 1935
Sweden.....	May 25, 1935	Aug. 5, 1935
Colombia.....	Sept. 13, 1935	May 20, 1936
Canada (superseded).....	Nov. 15, 1935	Jan. 1, 1936
Honduras.....	Dec. 18, 1935	Mar. 2, 1936
The Netherlands.....	Dec. 20, 1935	Feb. 1, 1936
Switzerland.....	Jan. 9, 1936	Feb. 15, 1936
Nicaragua ¹	Mar. 11, 1936	Oct. 1, 1936
Guatemala.....	Apr. 24, 1936	June 15, 1936
France.....	May 6, 1936	Do.
Finland.....	May 18, 1936	Nov. 2, 1936
Costa Rica.....	Nov. 28, 1936	Aug. 2, 1937
El Salvador.....	Feb. 19, 1937	May 31, 1937
Czechoslovakia ²	Mar. 7, 1938	Apr. 16, 1938
Ecuador.....	Aug. 6, 1938	Oct. 23, 1938
United Kingdom.....	Nov. 17, 1938	Jan. 1, 1939
Canada (second agreement).....	do.	Do.
Turkey.....	Apr. 1, 1939	May 6, 1939
Venezuela.....	Nov. 6, 1939	Dec. 16, 1939
Cuba (first supplementary agreement).....	Dec. 18, 1939	Dec. 23, 1939
Canada (supplementary fox-fur agreement) ³	Dec. 13, 1940	Dec. 20, 1940
Argentina.....	Oct. 14, 1941	Nov. 15, 1941
Cuba (second supplementary agreement).....	Dec. 23, 1941	Jan. 5, 1942
Peru.....	May 7, 1942	July 29, 1942
Uruguay.....	July 21, 1942	Jan. 1, 1943
Mexico.....	Dec. 23, 1942	Jan. 30, 1943
Iran.....	Apr. 8, 1943	(⁴)

¹ The duty concessions and certain other provisions of this agreement ceased to be in force as of Mar. 10, 1938.

² The operation of this agreement was suspended as of Apr. 22, 1939.

³ This replaced a previous supplementary agreement relating to fox furs, signed on Dec. 30, 1939.

⁴ Will become effective 30 days after exchange of formal documents.

The success of the trade-agreements program.

The trade-agreements program had to make its way against a general deterioration in international relations and the strong currents of barter trading and other nationalistic excesses which tended to paralyze foreign trade generally.

The United States was faced with a choice between the use of its economic power in an ultimately self-defeating effort to coerce other nations into maintaining trade with us or to offer them an example of leadership in reestablishing world trade on the basis of cooperative action. To the everlasting credit—and self-interest—of the United States, it chose the latter course.

The course chosen in 1934, and held to since then, has paid dividends of two kinds: Expanded trade, with all that it has meant in terms of income, pay rolls, and employment, and, at the same time, improved general relations with other countries, which have meant much to us in time of war and which will continue to mean much to us not only between now and complete victory of the United Nations over the Axis Powers but also in the years of peace.

Expanded trade.

The record of trade results is impressive, considering the great difficulties encountered and making due allowance for the effects on trade of factors other than the trade agreements. The Secretary of Commerce summed up these results in his testimony before committee, as follows:

In my opinion, there is no doubt that the trade agreements contributed materially to the increase in our foreign trade between 1934-35 and 1938-39. Our figures show that in this period our exports to trade-agreement countries increased by 63 percent, while our shipments to nonagreement countries gained by only 22 percent. In these same years our imports from agreement countries increased by 22 percent, as compared with an increase of only 12 percent from nonagreement countries. These facts prove to me that trade agreements build trade, and that is what we want to do, not only in our own interest but in the interest of other countries with which we must live in peace after the war.

The tabulation on which he based this statement follows:

United States trade with trade-agreement countries and with all other countries, 1939 compared with 1938, and 1938-39 compared with 1934-35

[Values in millions of dollars]

Items	Comparison of 1939 with 1938				Comparison of 1938-39 with 1934-35			
	1938 value	1939 value	Change		1934-35 average value	1938-39 average value	Change	
			Value	Percent			Value	Percent
<i>Exports, including reexports</i>								
Total, trade-agreement countries.....	1,758	1,901	+142	+8.1	\$ 757	\$ 1,232	+475	+62.8
Total, nonagreement countries.....	1,336	1,277	-59	-4.5	\$ 992	\$ 1,306	+314	+31.7
Total, all countries.....	3,094	3,177	+83	+2.7	2,208	3,136	+928	+42.0
<i>General imports</i>								
Total, trade-agreement countries.....	1,155	1,387	+233	+20.1	\$ 774	\$ 942	+168	+21.6
Total, nonagreement countries.....	806	931	+125	+15.6	\$ 772	\$ 868	+97	+12.5
Total, all countries.....	1,961	2,318	+358	+18.3	1,851	2,139	+288	+15.6

¹ Including the 18 countries (and colonies) with which agreements were in operation during the greater part of the last 12 months. Only 1 of the agreements was in operation throughout 1935, 6 throughout 1936, 14 by the end of 1936, 16 by the end of 1937, 17 by the end of 1938, and 18 by the end of 1939, including the agreement with the United Kingdom (covering also Newfoundland and the non-self-governing British colonies). The agreement concluded with Turkey became provisionally effective only on May 5, 1939, and the agreement with Venezuela only on Dec. 16, 1939. Statistics for these countries are therefore not included in the above calculations.

² These figures do not include Ecuador, the United Kingdom, Newfoundland, and non-self-governing British colonies, Turkey, and Venezuela with which agreements have been concluded but where the period during which the agreement has been in effect is too short to justify inclusion for purposes of comparison.

³ The apparent discrepancy shown by these figures in comparison with the other totals is due to the non-inclusion of trade with Ecuador and the United Kingdom and its Crown colonies.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars.

SOURCE: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce. Commerce Reports, Feb. 17, 1940.

Both imports from and exports to countries with which we concluded trade agreements increased relatively much more than did our trade with other countries, exports in greater proportion than imports. No claim has been made that the trade-agreements program was the only contributing factor to the increase in our foreign trade since it would be expected in any event, to have recovered in considerable degree from its depression levels. However, it must be conceded that the trade agreements played an active part in restoring this trade. A passive attitude on the part of the United States in the face of growing aggressions in the field of international trade would probably have witnessed a substantially slower and smaller increase in our trade, particularly in our exports.¹

Comprehensive data indicating the scope of concessions obtained and granted in trade agreements were introduced during the hearings. Agreement countries have given concessions on 73.5 percent of their agricultural imports from us and on 47.7 percent of their nonagricultural imports from us and, from another point of view, concessions have been obtained on 48.0 percent of our total agricultural exports and 28.7 percent of our total nonagricultural exports

¹ For an objective evaluation of the trade-agreements program by an independent source, see Foreign Policy Association's report of April 1, 1943, entitled "Reciprocal Trade Program and Post-War Reconstruction."

(pp. 232-234, unrevised committee print). A table was presented showing the wide range of agricultural and nonagricultural products and groups of products on which concessions have been obtained (pp. 235-238, unrevised committee print). The number of countries granting concessions on each product or group of products is also shown in this table. A summary of concessions obtained and granted appears on pages 366 and 367 of the unrevised committee print.

Both agriculture and industry have benefited from the trade-agreements program. This is borne out not only by the statements of many witnesses before the committee but also by the official trade statistics, as shown by the following tabulations:

Agricultural and nonagricultural exports to trade-agreement and non-trade-agreement countries

On the average for the 2 years, 1938-39, as compared with the average for the 2 years, 1934-35:

	<i>Percent</i>
To all countries:	
1. Agricultural exports.....	increased... 0.1
a. Cotton exports ¹	decreased... 38.2
b. Other agricultural exports.....	increased... 39.5
2. Nonagricultural exports.....	do... 64.1
To trade-agreement countries: ²	
1. Agricultural exports.....	increased... 49.9
a. Cotton exports ¹	decreased... 13.1
b. Other agricultural exports.....	increased... 98.9
2. Nonagricultural exports.....	do... 68.4
To non-trade-agreement countries: ³	
1. Agricultural exports.....	decreased... 26.4
a. Cotton exports ¹	do... 49.5
b. Other agricultural exports.....	increased... 38.0
2. Nonagricultural exports.....	do... 59.7

¹ The decrease in cotton exports, which constitute from $\frac{1}{4}$ to $\frac{1}{2}$ of our total agricultural exports, has been caused by a number of special factors, particularly price pegging, rather than foreign barriers against imports of our cotton which are, in general, low or nonexistent.

² Includes only countries with which agreements were in effect throughout all of the 1938-39 period.

³ Not including trade with Ecuador, United Kingdom, and British colonies with which trade agreements were in effect during only part of 1938-39 period.

Source: Based upon records of the Department of Commerce (April 1943).

Agricultural and nonagricultural imports from trade-agreement and non-trade-agreement countries

On the average for the 2 years, 1938-39, as compared with the average for the 2 years, 1934-35:

	<i>Percent</i>
From all countries:	
1. Agricultural imports.....	increased... 9.5
a. Duty-free agricultural imports.....	do... 12.5
b. Dutiable agricultural imports.....	do... 4.0
2. Nonagricultural imports.....	do... 20.8
a. Duty-free nonagricultural imports.....	do... 23.8
b. Dutiable nonagricultural imports.....	do... 17.8
From trade-agreement countries: ¹	
1. Agricultural imports.....	do... 12.5
a. Duty-free agricultural imports.....	do... 23.4
b. Dutiable agricultural imports.....	decreased... 1.8
2. Nonagricultural imports.....	increased... 28.5
a. Duty-free nonagricultural imports.....	do... 27.3
b. Dutiable nonagricultural imports.....	do... 30.7

¹ Includes only countries with which trade agreements were in effect during all of the 2 years 1938-39.

From non-trade-agreement countries:*	<i>Percent</i>
1. Agricultural imports.....do.....	10.1
a. Duty-free agricultural imports.....do.....	6.9
b. Dutiable agricultural imports.....do.....	16.1
2. Nonagricultural imports.....do.....	13.9
a. Duty-free nonagricultural imports.....do.....	33.8
b. Dutiable nonagricultural imports.....decreased..	.3

* Not including trade with Ecuador, the United Kingdom, and British colonies with which trade agreements were in effect for only part of the 2 years, 1938-39.

Source: Based upon records of the Department of Commerce (April 1943).

Improved general relations.

The testimony before the committee supports the common-sense conclusion that the trade-agreements program has been an important factor in improving relations between this country and others in this hemisphere and elsewhere. No one claimed that any country is aligned with us in this war solely because of a trade agreement with us. Nevertheless, the committee calls attention to the following facts:

Since 1934, agreements under the act have been made with 27 countries. All but 4 of these were made before Pearl Harbor.

Of the 27 countries concerned, 16 are now at war against the enemies of the United States. These 16 are Belgium, Brazil, Canada, Costa Rica, Cuba, Czechoslovakia, El Salvador, France, Guatemala, Haiti, Honduras, Luxemburg, Mexico, Netherlands, Nicaragua, and the United Kingdom.

Of the remaining 11 trade-agreement countries, 6 have broken off relations with the enemy, and are cooperating with the war effort of the United Nations in a variety of ways. These 6 are Colombia, Ecuador, Iran, Peru, Uruguay, and Venezuela.

Of the remaining five countries in question, four are neutral. These are Argentina, Sweden, Switzerland, and Turkey.

The only country with whom the United States has ever had a trade agreement and which is now at war against any ally of the United States is Finland.

The committee was particularly impressed by the testimony of the Coordinator of Inter-American Affairs on this point when he said:

There is no need, I am sure, to tell you gentlemen of the important part which the hemisphere-solidarity policy of the American republics has played in this war. To understand the importance to us of hemisphere unity even in a purely negative sense, one has only to imagine how incredibly more difficult would be our defensive position were the Axis to be in possession of air and submarine bases in any one of the nations to the south. On the positive side you are all familiar with the fact that 12 of the 20 other American republics are at our side as active participants in the war and all of the others, with the exception of 1, have broken diplomatic, economic, and financial relations with the Axis Powers. In addition, these countries are today our most important, in many cases our only, source of supply for a large part of the critical materials necessary to our war effort.

There are numerous other acts of cooperation and assistance which these countries are extending to us in this day of our national need.

* * * * *

* * * I have no hesitation whatsoever in saying that, in my opinion, we have these nations as valued allies and helpful friends today because we previously by word and deed gave them a solid basis for confidence in our friendship. Again, I have not the slightest hesitation in saying that the reciprocal trade-agreements program which your committee and the Congress inaugurated in 1934 and which Secretary Hull has steadfastly championed, is viewed by these countries as one of the most tangible and abiding manifestations of a good neighbor.

I am equally convinced that nothing would do more to create serious misgivings on the part of these countries concerning our future relations with them than any action on our part which had the appearance of terminating or hampering the operation of the trade-agreements program.

In the view of the committee, the less tangible results of the program to date may well be of even greater value to the Nation than the improvement in trade attributable to the agreements. Friendly trade arrangements, on a basis of fair dealing and cooperation, have helped to change mistrust and antipathy to confidence and friendship. In no area of the world is this more true than in this hemisphere. These trade arrangements have, without a shadow of doubt, helped greatly to strengthen this country with friends in time of need for the ordeal through which we are now passing.

III

THE ISSUE NOW BEFORE US

The committee is impressed with the fact which has been emphasized in the testimony of both Government and private witnesses and in the public press that the issue now before us involves much more than the narrow and sterile tariff debates of the past.

A nation which is engaged for the second time within 25 years in a devastating world war has acute need for the most searching reconsideration of legislative policies which have or may have effect on either the conduct of the war or on the prospect for establishing a peaceful world order in the future. Under these critical circumstances this Nation is entitled to the best nonpartisan wisdom that we can bring to the main problem of establishing sound policies and effective procedures for the conduct of our international commercial relations. We would not be true to our responsibility for serving the national interest of this country if we took any more limited view of the question before us. The broad question before us today is not whether a particular tariff rate is a little too high or a little too low but rather whether we as a Congress shall establish a policy which will best serve the major interests of the country as a whole and authorize a practical procedure for making such a policy effective.

From the point of view of sound policy there are two broad considerations. In the first place, if we are to maintain and raise our standard of living we must adopt a policy which fosters the fullest possible utilization of our incomparable productive capacity. This means that we must follow policies which permit private enterprise to develop with the least possible restrictions. When this war is over our producers will need broader market opportunities than ever before in our history. We cannot provide those market opportunities, either at home or abroad, if we and the other nations of the world follow policies designed to restrict the mutually profitable exchange of the fruits of production. Moreover, we cannot follow governmental policies which restrict trade and at the same time hope to escape the consequences of more and more governmental regimentation in our daily lives. The committee believes that the reciprocal-trade-agreements program, which is designed to prevent the further heightening of governmental restrictions on international trade and to reduce excessive

barriers on a reciprocal, selective basis, is the only trade policy which can serve the best interests of our free-enterprise system.

In the second place, we must pursue international commercial policies which give some hope of providing an economic basis for building an enduring peace. There is little prospect, indeed, that this Nation or any other nation can survive under an international system which periodically erupts in world-shaking cataclysms in which all the talents and energies of mankind are directed toward the destruction of man and his works. It is not possible within the confines of this report to trace the direct and indirect relationships between economic maladjustments and war, but there is no informed and responsible person today who denies that the relationship exists. The trade-agreements program cannot right all the economic maladjustments of the world, nor can any other single program. The trade-agreements program is designed to deal with the trade-barrier phase of the problem and to deal with it on a cooperative basis. The Trade Agreements Act represents a policy of positive international economic cooperation and it has come to be so regarded in the eyes of the other nations. We are now faced with making a decision as to whether we wish to continue such a policy of cooperation or to reject it. In the opinion of this committee it is simply unthinkable that the Congress should reject this policy of international economic cooperation at the very time when the fate of this Nation and of all the civilized world hinges on the determination and ability of nations to cooperate effectively in peace as well as in war.

If the Trade Agreements Act policy is sound from the point of view of both our domestic and international interests, it is essential that it be carried out effectively. The issue concerning procedure comes down to just this: The experience of the past 9 years shows the present method is workable; the experience of the past under other procedures proved them to be unworkable. We understand this and we must know that the other nations also understand it full well. Under the circumstances this of all times is not the occasion to make changes simply for the sake of change. We know that the present method works but we do not know, and we cannot know, whether something else will work, or work as well. We do know that to make untested changes now will result in the creation of doubts in the minds of our allies and friends, doubts which, however unfounded, we cannot afford. How ill we can afford any such doubts is confirmed by the interest which Berlin's radio propaganda has manifested in the matter.

IV

THE RECORD BEFORE THE COMMITTEE

The committee has conducted extended public hearings, and has heard everyone who desired to appear before it. It has also received numerous written communications. These, and the oral testimony have been printed for the information of the House.

The committee has been very much impressed with the extent of the agreement that has been demonstrated in these hearings; Americans from every section of the country, from both of the great parties, and from every walk of life support the present measure. The agreement

is much more widespread, more bipartisan, and more unqualified than was the case in 1934, in 1937, or in 1940. The country has appreciated, with a remarkable degree of unanimity, that this measure is an absolutely necessary part of the foundation for the prosperity of this country and for the kind of peace after this war that all Americans desire. It is particularly in that light that the committee recommends it to the House.

A sampling from this record follows:

THE VIEWS OF THE SECRETARY OF STATE

The testimony of the Secretary of State, Mr. Hull, before the committee, contains the following passages:

Important as was the trade-agreements program in the past, important as it has been and will be from a broader point of view, it will be more significant than ever, from the viewpoint of our own material interest, when the present fighting stops. * * * Foreign markets will be very important to us then and will continue to be essential as far as anyone can see ahead. It will be well to have in being and in working order a tested and tried instrument for obtaining the reduction of foreign trade barriers and the elimination of discriminations against our products.

* * * * *

As we look into the future, it is this theme of international cooperation that should be uppermost in our minds, if we really want to make sure that another world conflict is not to be ahead of us after we win this war.

When the day of victory comes, we and other nations will have before us a choice of courses to follow. Basically, that choice will be, as it was in 1918, between, on the one hand, extreme nationalism, growing rivalries, jealousies and hatreds, with the ultimate certainty of another and even more devastating war; and, on the other hand, increased international cooperation in a wide variety of fields, and at least the hope of secure peace for our children.

No one can give a promise that secure peace will really prevail. It is much harder to make the peace secure than it is to wage successful war. Many wars have been fought and won, by many nations, but not yet has any nation made its peace secure and enduring. No one nation, no two nations can do this. For war is an international affair; in a world of many nations its prevention requires international collaboration. In the new world of the airplane all nations are the near neighbors of all others. In such a world any one strong industrial country has power to plunge the world into war with devastating suddenness and violence. To keep the peace secure will require the resolute and continuous collaboration of all law-abiding nations. It is a hard way and a long way, but it is the only hopeful way there is to prevent war.

Of the various necessary fields of international collaboration one of the most essential is the field of economic life. The goods and services by means of which men live must be abundant, and they must be well distributed. If the material basis of civilization falls, we must not anticipate that human beings will be civilized or peaceful. Solid and lasting friendships between large groups of people require mutual willingness to cooperate in the fundamental business of earning a living. That is why it is so essential, in the words of the Atlantic Charter—to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement, and social security.

This objective, and the balance of the charter, have now been endorsed by all of the United Nations. That action was taken by the hard-headed and realistic men who guide these governments, not by reason of humane sentiments alone, but because they recognize that the only way to attain these ends is through cooperative action.

Stable peace and economic warfare will not mix. We know that, now, from bitter experience. Just as we must work together to set up and operate the necessary machinery to maintain peace, we must work together to make the years of peace fruitful for ourselves and for others.

One of the most essential subjects of international cooperation in the years that lie ahead is this very one of trade and the various trade restrictions to which the act refers. * * *

Nations have various ways of managing the production and exchange of goods and services. In this country we prefer that our combined domestic and international economy rest primarily on a system of free enterprise. The trade agreements program is designed to promote this end.

International trade is regulated and is necessarily affected by the tariffs, regulations, and economic institutions of the various countries. What the trade agreements program proposes is that this complex system of trade regulation, both our own and that of others, shall be administered and guided, as far as our influence extends, not in the direction of regimentation and scarcity, but in the direction of increased production, better distribution, and more abundant consumption.

That is neither Republican nor Democratic doctrine. It is American doctrine, and the greater the extent to which we can get it accepted by other nations, the better will be the prospect for our own future prosperity and peace. I am confident that the more the subject is discussed the more clearly these facts will be seen by all of us, and the more nearly unanimous we shall be in our support not only of the measure now before us, but of all measures that make possible, in our own hard-headed self-interest, fuller international cooperation against the common scourges of poverty, social and political instability, and war, and for greater abundance, social and political stability, and secure peace.

The many peoples who look toward this country with hope are watching our action on this act with profound interest. What we do about it will be looked upon as a signpost pointing to the path they can expect us to follow. Repudiation of the trade-agreements program, or the curtailment of it in scope or time by amendment, would be taken as a clear indication that this country which, in war, is bearing its full share of responsibility, will not do so in peace. This might well weaken the ties which hold together the group of nations with which we are so vitally associated in the prosecution of the war. Extension of the program without change will mean not only that we understand the kind of commercial relationships which, from a purely business point of view, lead to our mutual well being, but that we recognize the deeper implications of our great strength and commensurate responsibility for good or ill in the world.

Strong nonpartisan support of this nonpartisan legislation would have a most heartening effect on people here and everywhere who look forward, with profound hope, to a world rich in economic and spiritual opportunities for all.

THE OTHER GOVERNMENT WITNESSES

The Secretary of Commerce, the Secretary of Agriculture, the vice chairman of the Tariff Commission, the Assistant Secretary of Commerce, Mr. Clayton, and the Special Assistant to the Secretary of State, Mr. Sayre, appeared before the committee. These officials represent agencies which participate in the interdepartmental organization responsible, under the President, for the administration of the act. In their testimony they described the interdepartmental organization that has been created to carry out the mandate of Congress, the way that organization operates, the care taken in the formulation and negotiation of agreements, the arrangements for public notice and hearings on proposed agreements, the safeguards that surround concessions made by the United States, the results of the program from their several points of view, and many other matters connected with the act and its administration.

The Coordinator of Inter-American Affairs, Mr. Rockefeller, also testified. The agency which Mr. Rockefeller heads is not charged with a direct part in the administration of the present act, but as he pointed

out to the committee, he has been able to observe the effects of the act and its administration on the general program of inter-American relations. He was emphatic in his belief that the Trade Agreements Act represents a combination of sound policy and practical method.

Mr. Rockefeller also called to the attention of the committee one aspect that deserves special mention. His testimony on this phase was as follows:

Part of our job in the Coordinator's Office is to keep informed on what the enemy is saying in its foreign propaganda in order that we may assist in seeing that the true and full story is made available to our friends in the other American republics. Just a month ago, on the evening of March 10, the Berlin radio undertook to tell the American people what they should do about the important pieces of legislation which were coming before this session of Congress. Among other things Berlin advised us to stop lend-lease and to forget about the Trade Agreements Act as being unimportant. Whatever else may be said about Berlin's propaganda, we know for a certainty that it doesn't waste its time on things which Hitler and Goebbels think are unimportant. I can assure you that if they think it is important that we should reject the trade-agreements program, it is a pretty good indication that they hope for and count on such action as a disrupting influence on the war unity and mutual confidence of our allies and friends, both in this hemisphere and throughout the anti-Axis world.

For my part, I sincerely hope that this committee and the Congress will again conclude that the trade-agreements program represents sound policy and practical method, and thereby incidentally give Mr. Hitler the same answer on this bill which it gave him concerning his advice on the lend-lease legislation.

THE TESTIMONY OF BUSINESS AND INDUSTRY

The testimony of American business and industry is overwhelmingly in favor of the present resolution.

The Foreign Commerce Department Committee of the Chamber of Commerce of the United States, the Business Advisory Council for the Department of Commerce, the National Association of Manufacturers with a number of suggested amendments, the Automobile Manufacturers Association, the National Foreign Trade Council, the American Chamber of Commerce in Cuba, the Chamber of Commerce of the State of New York, the Commerce and Industry Association of New York, the Detroit Board of Commerce, and other American business and industrial groups and companies, supported continuance of the trade-agreements program.

Some of the statements made before the committee by the representatives of these organizations are quoted, in part, below.

The Chamber of Commerce of the United States was represented before the committee by Mr. Clark H. Minor, president of the International General Electric Co. and chairman of the Foreign Commerce Department Committee of the chamber. The report which his committee had made to the chamber concludes as follows:

In the opinion of your committee the trade-agreements policy has been beneficial to the United States and has come to be regarded, throughout the world, as the symbol of the desire on the part of our Nation to build a world economy based on fairer treatment of commerce and thus to help eliminate economic causes that might disturb international relations. Your committee therefore urges extension of the trade-agreements authority in order that the United States may have available, during the war and after its conclusion, effective means to support a more reasonable and less restricted international commercial policy.

This committee understand that on April 29, at the annual meeting of the Chamber of Commerce of the United States, in New York City, continuance of the trade-agreements program was endorsed.

The committee was much impressed by the testimony of Mr. W. Gibson Carey, Jr., president of the Yale & Towne Manufacturing Co., who presented on behalf of the Business Advisory Council for the Department of Commerce, a report of the council dated March 10-11, 1943, on the trade-agreements program. This council consists of a large group of businessmen, industrialists, and bankers, who have organized themselves into this group for the purpose of serving the Secretary of Commerce in a consultative capacity. In presenting the council's reasons for urging renewal of the act, he made it very clear that the alternatives to the present policy are either a return to the old system of tariff making or to an extreme form of governmental domination of foreign trade. After reviewing the reasons which had led the council to support the program in the past, the report states that—

* * * in addition to these points the present state of the world requires support of the trade-agreements program on five grounds:

1. The passage of this act at this time is a primary means of promoting a policy by Government that relies upon increasing trade through private enterprise rather than through public barter and management of international trade. This is, of course, of vital importance to the whole free enterprise system in which this council is basically concerned.

2. It stands as the one substantial contribution that this country can now make to an assurance of a return to trade practices which will permit the restoration of an international gold standard for clearing trade balances in the post-war world. This country has a very substantial stake in this matter, too well known to require comment.

3. It is claimed by those opposed to the program that the reciprocal-trade-agreements policy is primarily put into the hands of the executive department, and thus escapes control by Congress. This is a misleading claim, both in the light of (a) present practice, and (b) the alternatives to the present program:

(a) To renewal of the act every 3 years permits a review of trade-agreement policy and congressional control in terms of the actual workings of the act. The hearings which are held under the act permit substantially the same representation of interests as is secured in congressional tariff acts and on a much more balanced basis of evaluation.

(b) The alternatives to this policy are in all probability a return to rigid tariff policy through cumbersome congressional action, or an extension of Executive control through the fiscal agencies of the Government, which, under post-war pressures, might readily be warped into the most extreme form of Executive domination, comparable to the necessary war measures of control which now exist. Congress, in countering this type of action, would have either to destroy the fiscal agencies concerned, or to bring them under a type of pressure, the results of which can be easily foreseen.

4. The scope of the agreements is strictly limited in the act and is subject to reasonable congressional scrutiny and review. On strictly constitutional grounds there can be no question that the Congress always has the power through legislative action to override any agreement made, if the necessary support is forthcoming. The virtue of making trade agreements by this method, however, is that a period of stability is assured for a sufficient number of years to permit a real test of tariff policy. Any interference by Congress within this period should be taken only on extraordinary and unusual grounds.

5. Above all, the council recommends the continuance of the act as a symbolic declaration to the entire world that in the post-war period we intend to favor economic intercourse between nations on a liberal and flexible basis rather than by extension of war controls or by reliance upon protecting our economic interests by policing the world through force.

The council is convinced that the alternatives to the trade-agreements policy all lie down the road toward totalitarianism, either through a relapse into international anarchy in trade relations, as was the case toward the end of the 1920's and the early 1930's, or alternatively to set up imperialistic standards of world domination through national socialistic economies and direct military control. There is no middle ground between these extremes that does not require the use of trade agreements along the lines of the Reciprocal Trade Agreements Act.

The testimony of E. H. Lane, representing the National Association of Manufacturers, contains the following:

* * * Let me read you what Frederick C. Crawford, president of the National Association of Manufacturers, said at San Francisco last week:

"We are fighting as a world nation. After the war we must trade as one. Diplomatic peace and economic warfare cannot live side by side. Self-sufficiency is not a sound ideal in the modern world. It would do irreparable harm to our cause if we gave the nations at whose side we are now fighting any reason to suspect that we were going to renounce our interest in world affairs and retire to the selfish inaction of economic isolationism."

As a result of these considerations, Mr. Chairman, we believe that the best current and post-war interests of the United States would be promoted by renewal of the Reciprocal Trade Agreements Act. We submit, however, that if this act is renewed it could best protect and develop the interests of this country and its citizens by the incorporation of certain specific amendments.

The testimony of Frederick E. Hasler, president of the Chamber of Commerce of the State of New York, contains the following:

We cannot divorce the trade-agreements program from the No. 1 domestic problem which will face the country when the war ends—that is, the expansion of production in every line of industrial endeavor to provide reemployment for the millions of men who gradually will be mustered out of the armed forces and for the millions of war workers who must be returned to civilian occupations. Even as geared to pre-war standards, the American industrial machine turned out more goods than we could consume and we had to export a substantial part of our production. The war has taught us new short cuts in production methods which will tremendously increase the output of American plants in the post-war period. Supplying the reconstruction needs of a war-depleted world will keep our factories busy and our labor employed for a few years, but we must look ahead to the time when that emergency demand will be filled. The problem then will be to have a sufficient number of established peacetime markets to provide outlets for the increased production of full employment. One sound solution of this problem is a continuance of the trade-agreements program and its extension to more and more countries.

The testimony of Mr. Burton G. Budd, representing the Automobile Manufacturers Association, contains the following:

In endorsing the renewal of this act, we are not thinking solely of our foreign sales. To the contrary, we are thinking of our total sales with the knowledge that the home market still absorbs 90 percent of our output. Naturally, we would not favor legislation which benefited exports alone and adversely affected conditions at home.

In our opinion, the Reciprocal Trade Agreements Act has benefited the whole economic structure of the country by providing wider foreign outlets for surplus production, and thus making possible greater internal consumption.

Mr. Eugene P. Thomas, president of the National Foreign Trade Council, testified, in part, as follows:

* * * Unless * * * the Executive power of the Nation is given the right to make trade agreements with other nations, we shall have our hands tied when it comes to the settlement of post-war international trade. There is no other mechanism established by the laws of the United States to perform the particular function of cooperative removal of trade barriers by reciprocal bargaining. This Trade Agreements Act does provide the authority or the bargaining power necessary to induce any other country to lower or remove its tariff barriers against our trade, on the quid pro quo basis of corresponding adjustment on our part.

From this and other testimony before it the committee concludes that American business and industry has determined to go forward into the world that will follow on this war, not in the spirit of parceling out monopolistic shares in a restricted market, but with the governing idea of seeking and developing new markets both inside

and outside the United States on the basis of fair competition and expanding opportunity. This decision of the managers of industry, which carries out in new conditions the pioneering tradition of American free enterprise, is the best guaranty we have of the continuance of free enterprise itself, and the best ground for hope that the economy which emerges from the war will be directed to abundance and not scarcity. The present resolution is directed to that end.

THE TESTIMONY OF LABOR

Labor now supports this measure with greater unanimity and greater positiveness than it ever has before.

Mr. William Green, president of the American Federation of Labor, strongly urged renewal of the Trade Agreements Act, without change, for another 3 years. The following significant paragraphs are quoted from his statement:

The Congress of the United States has a duty to fulfill. Before June 12 of this year it must give its renewal to the Trade Agreements Act of 1934 authorizing the President of the United States to conclude reciprocal trade agreements.

The Congress owes this duty to the peoples now enslaved by fascism, the multitude of millions who hope and long for the day when they attain their freedom and join with their liberators in the establishment of a lasting peace founded upon freedom, security, and mutual trust among nations.

The Congress owes this duty also to our partners in this war, the nations united by a single purpose to fight together against the forces of political and economic enslavement. That purpose is to achieve enduring peace and assure security from violence and from want through mutual cooperation among nations.

The Congress owes this duty, above all, to the American people, whom it represents, who are determined to attain for themselves and for their children a peace unmitigated by a threat of future wars and a life unimpaired by a threat of joblessness and want. For the American people are determined that this war be concluded not on terms that generate future conflicts, but on terms that bar future conflicts—on terms of international cooperation and reciprocity.

Such cooperation and such reciprocity between us and other nations cannot be established without a clear advance indication of our willingness to continue and perfect the machinery for reciprocal trade. The United States has given the world assurance that it will plan and work with others toward a post-war world of expanding prosperity. The United States must not, and, I am sure, will not go back on that assurance.

* * * * *

What if Congress now, in the midst of the war, should reverse this policy by refusing to renew the authority for reciprocal trade pacts? In my opinion, such refusal would shake to the very foundations the faith of our allies and of other nations in our leadership and our aims in this war. Such action would arouse suspicion over our motives and cast distrust over our willingness to participate in the reestablishment of a just and equitable economic order after the war. * * *

Most important of all, such refusal would undermine the war effort itself. It would arouse distrust in our policy, provide our enemies with a powerful weapon of disruption, and goad our allies into seeking other sources of economic stability and economic strength than America's post-war industry and trade.

* * * * *

I know labor is thoroughly committed to the winning of the war. It seeks to prevent the war effort from being impeded. It is my opinion that the realization of this objective can be greatly enhanced through a renewal of the reciprocal trade agreements. I urge the renewal of the powers granted by the Trade Agreements Act of 1934 because labor is resolved to prevent the blight of mass unemployment after the war and is determined to assure security based upon expanding activity of industry and trade.



The principle of reciprocity in international trade is paramount to the solution of our post-war economic problem. The continued application of this principle is essential to the achievement of full employment and to the preservation of our system of free enterprise. Thus the renewal of the reciprocal trade policy not only accords with the promises expressed by the United States to the peoples of the world but also coincides with our own best interests.

In laying the foundation for the reciprocal trade policy in 1934 the Congress acted wisely and well. To the extent that policy could be applied before the war it was administered with judiciousness and integrity. The evidence is conclusive that reciprocal trade agreements have made possible a substantial increase in the exports of American goods, resulting in a notable increase of employment in the industries concerned. This increased employment in export industries exceeded by far any possible displacement of labor which might have been brought about by the concessions we have made to other countries.

Reciprocal trade agreements did not open the floodgates to the mass importation of foreign-made goods. * * *

* * * The United States benefited substantially from the increased exports of fruits, lard, and other agricultural commodities. It also obtained ready markets for the export of automobiles, automobile parts, tractors, foundry products, tires, office equipment, typewriters, paints, and other industrial products.

In this connection it is important to note that the largest share of benefits derived by the American workers from the reciprocal-trade policy through these exports has been in higher-wage industries. The record shows, at the same time, that the imports under the trade-agreements program have not impaired the wage standards and have not resulted in job displacement as was feared by the opponents of the policy. This evidence demonstrates that the net effect of the program was to benefit the American worker by sustaining and expanding employment in the recession of 1938.

In the light of these facts I submit that labor in the United States has not suffered, but gained, from the application of the reciprocal-trade policy. This policy enabled the United States to extend world markets for both agricultural and manufactured products.

* * * * *
Assurance of outlets for our goods in a peacetime world market is imperative if a post-war depression is to be averted.
* * * * *

Equally imperative is the assurance of cooperative reciprocity to other countries with which we are to trade. The responsibility for this assurance rests with Congress. American labor and the workers of other nations who are fighting this war with us look to Congress to discharge that responsibility and to make clear and decisive America's declaration of intentions toward the part it will assume in post-war reconstruction.

The statement submitted to the committee by the Congress of Industrial Organizations strongly supports renewal of the Trade Agreements Act:

The Congress of Industrial Organizations wishes to record its approval of the act of renewal of the trade agreements and its hope that your committee will recommend to the Congress of the United States that it be enacted into law.

Two considerations lead us to take this position. First, the act is designed to facilitate the reduction of tariff obstacles to international trade and increases the world-wide exchange of goods and services. Second, it establishes a means of achieving this objective with dispatch and discrimination, within a general framework of policy laid down by the Congress itself.

* * * * *
We believe that the American policy of tariffs in the past has worked to diminish the full productive possibilities of the Nation. We believe that it has injured popular welfare. We, therefore, view with favor the reversal of that policy in the past 9 years. Our trade agreements record since 1934 demonstrates that tariff reduction increases international trade and that this is accompanied by an increase of domestic employment, national income, and general well-being. The factual data upon which this conviction rests has been furnished your committee by other expert witnesses.
* * * * *

It is frequently said that most or a large proportion of workers in the United States depend upon tariff protection for their employment. This is an imposition upon credulity. Only a small proportion of American workers are in the so-called protected industries. The census of 1940 listed 45,000,000 persons as gainfully employed; 25,000,000, at least, were employed in construction and transportation, wholesale and retail trade, personal and professional service, finance, real estate, and the like. Foreign competition cannot and does not touch them. Tariffs, no matter how high, give them no protection whatever. On the contrary, such trade restraints hurt them by reducing the stream of commodities which they handle and increasing the costs of goods which as consumers they buy.

Eight of the remaining 20,000,000 workers were listed as farmers. Only a small fraction of these are capable of being "protected." The vast majority are producers of cotton, tobacco, rice, wheat, hogs, fruit, and the like, all of them export crops dependent upon foreign markets and benefited by open trade. Other thousands of farmers produce milk, fresh vegetables, meat, and eggs for nearby markets beyond the range of distant producers in other lands. Tariffs simply injure these farmers by reducing their markets and making the goods they buy more costly than they would otherwise be.

Twelve million workers are left in manufacturing, mining, forestry, and fishing. These are the only areas of industry, except for the small segment of agriculture mentioned above, that could possibly derive even temporary benefit from tariffs. However, almost half of these 12,000,000 are in automobiles, steel, electrical equipment—all of them highly efficient export industries. Others are in such purely domestic industries, as newspaper publishing and food processing, clearly free from foreign competition. These 6,000,000 workers like most of their brethren in agriculture are harmed, not helped, by tariffs on international trade.

Of the remaining 6,000,000 workers employed in industries that might conceivably benefit in the short run from tariff protection, the great majority are independent of such protection. In the flat-glass industry sheltered by tariffs since 1798, foreign competition is limited principally to coastal areas and to certain types of glass. In textiles, foreign competition is confined to goods principally of the luxury class. In iron and steel, it is limited in the main to certain alloy products. Many foreign goods are at a competitive disadvantage with domestic goods even aside from the import duties to which they may be subject. In addition to overseas freight to our own country, they must pay the cost of transportation to interior points; they must meet consumer preferences as to style and so forth; they must comply with sanitary, pure food, and other regulations, in addition to meeting the competition of domestic goods more advantageously situated.

It is surely a generous estimate that the maximum number of workers employed in industries whose goods compete with similar goods produced abroad is no more than 3,000,000, probably nearer 2,000,000. More careful analysis and more detailed statistics than are now available would undoubtedly reduce this figure.

American workers, then, are sheltered to but a limited degree by tariffs, whereas all workers (as consumers) are injured by excessive tariffs.

We maintain, in short, that American workers will gain by careful tariff reductions both in employment and in higher standards of life. In no sense do we wish this to be interpreted as an endorsement of a laissez faire position on international trade. We believe, indeed, that the years ahead will require a large amount of Government control both of the domestic economy and the economic relationships between the United States and the rest of the world. Therefore, the tariff adjustments we support should be made with a steady determination to plan those adjustments and preserve a pattern of control in the national interest.

Granted that the freeing of international trade is in the interest of Americans as workers and as consumers, the present act is, in our opinion the best, possibly the only, way in which that object can be achieved. The Senate Finance Committee spoke wisely in 1937 when it observed that "general tariff policies can be and should be formulated by the legislative branch, * * *. On the other hand, to attempt to require in every instance senatorial disposition of the manifold and constantly changing details involved in the carrying out of such policies and principles would frequently be to render the legislative branch incapable of effective exercise of its functions." Our tariff history amply supports this penetrating judgment of the committee. * * *

This device works. It works flexibly and with adaptability to changing conditions. Of necessity, it works faithfully to congressional intent else the delegated power would be, as it can be, revoked. It would be a mistake,

therefore, to revert from the successful trade agreement to the unsuccessful treaty method of regulation.

In conclusion, we wish to comment on the proposal of Senator McNary that Congress retain the privilege of passing on trade agreements once made by the Executive under the act. This proposal seems to us a desirable one. It would preserve for Congress that participation in over-all policies which it is the essence of our democratic Government to protect. It proposes majority rule, which is not to be confused with the minority veto which characterizes the treaty power.

It is true that congressional making of tariffs has almost always been a local issue effected by pressure groups and therefore never planned and carried out in the general national interest. The proposal of Senator McNary is not to be confused, however, with this, for it would bring the Congress into effective touch with trade matters at a point least likely to permit the play of narrow interests and most likely to elicit action in terms of a national welfare. But, amended or not, passage of this Trade Agreements Act is of the utmost importance, not only for the reasons already adduced, but because it would have a salutary effect upon world opinion. It will state to those nations which look to us for leadership in the post-war world as they depend upon it now in the war itself, that we intend to fulfill our promises and work steadily and unflinchingly to establish international cooperation in place of competition, rivalries, fears, and their bitter sequel wherein every nation attempts futilely to protect itself behind bristling armaments periodically to burst into the flame of war.

We repeat our hope that your committee will recommend passage of the act, and Congress act upon the recommendation.

THE TESTIMONY OF AGRICULTURE

The Secretary of Agriculture appeared before the committee in support of the resolution. His testimony before the committee includes the following:

* * * Extending the Trade Agreements Act would be of real benefit to farm people. Rejection of the bill would bring most serious consequences for agriculture.

* * * * *
Our exports and imports now are being conducted with the sole aim of bringing victory; nearly all of the normal considerations of commerce have been pushed aside.

But we must look ahead to the day when we have won the war, and even beyond that to the day when the great volume of emergency relief shipments from this country, will begin to taper off. When that time comes, American agriculture almost certainly again will need commercial export markets. If the pattern of the pre-war years is even approximated, the farm people who produce cotton, wheat, hogs, tobacco, fruits, and some other commodities will need to sell some of their output to people of other countries. Thus they will stand in need of reasonable world tariff rates, and of fair treatment of their products in foreign countries.

Also, it is necessary that potential customers for our farm products, or for that matter any of our products, have the money to pay for them. If we should move to prevent other nations from selling their goods to us, they would not have the dollar exchange to buy our cotton, wheat, and other products, even if they wanted to trade with us.

The trade-agreements program, supplemented by international commodity agreements, is necessary to assuring favorable world markets for our products.

All farmers—those who produce the main export crops, and those who do not—also will stand in need of a strong and stable home market for their products. The way to assure a favorable domestic market for farm products is through full industrial employment at good wages. Thus the provisions of the trade-agreements program, which make for increased exports in industrial goods, are of direct concern to farm people.

Each one of our trade agreements has resulted in better treatment of our agricultural products in foreign markets. To name one example: the agreement with Great Britain improved the position of pork products in the British market, entirely removed the Empire preference on wheat imports into the United King-

dom, and made a long list of reductions, in Empire preference on agricultural imports, into both the United Kingdom and the British colonies.

This country has, of course, granted material concessions in return. But these concessions have been so safeguarded that even the short-time interests of specific producer groups have suffered little, if any, adverse effect. The longer range interests of all agricultural producers clearly have been promoted. As in all genuine two-way relationships, there is give and take on both sides, but both this country, and those with which we have agreements, have gained in the long run.

The actual history of the trade-agreements program shows that it has been operated carefully, with due regard for the interests of particular groups of producers, as well as for our agriculture as a whole.

When we do grant concessions on farm products that might compete seriously with our own, we have frequently limited the quantities to which the reduced rates apply. For example, the numbers of Canadian cattle, which have been allowed to enter at the reduced rates provided in the trade agreements with that country represent only about 1 percent of our total supply. However, this amount is large enough to be of considerable value to Canada, and for that reason, Canada has been willing to make agricultural concessions, which are helpful to our producers. Also there are seasonal limits on imports of fruits and vegetables, so as to protect American producers at times when the great bulk of our home-grown crop is moving to market. In the past these safeguards have worked very well. It is true that during the middle 1930's there were heavy imports that worried some people a great deal; but I believe by now everyone realizes that the basic cause of those imports was scarcity, and high prices in this country, and not the trade agreements. For instance, during the drought years, our imports of corn were much larger than normal, even though our duties on corn were not lowered by trade agreements. In those years we needed foreign corn to help feed our livestock, and I don't know what livestock producers would have done without the imports.

In general, I think the record of the years before 1939 is a plain indication of the value of trade agreements to agriculture, as well as industry. I feel that the agreements will be of even greater value during the post-war years, for they will give us a flexibility in handling our trade relations, that we may need very badly in a changing world. There is no way in which we can foresee all of the specific trade conditions we shall have to meet after the war. Thus the wisest course is to have the machinery for adjusting our duties and quotas quickly, so as to make our trade flow more smoothly and increase our power to bargain for favorable treatment from other nations. The Trade Agreements Act can give us this necessary flexibility.

The committee desires to call particular attention to the strong endorsement of the program by the American Farm Bureau Federation, one of the largest and most representative of the national farm organizations in this country. The statement submitted by Mr. Edward A. O'Neal, president of the Farm Bureau Federation, emphasizes that—

The continuation of a trade-agreements program on a sound basis is of vital importance to agriculture and to the entire Nation.

In recommending "the extension of the President's power to negotiate reciprocal-trade agreements," the Farm Bureau Federation also recommended (1) adequate hearings before agreements are entered into; (2) publication of the terms of agreements after signature and before the agreements become effective; (3) a requirement that agreements contain appropriate "escape clauses," permitting the modification or withdrawal of concessions which are found to result in injury to domestic producers of such article by reason of an unexpected volume of imports or other unforeseen developments; and (4) that agreements be not concluded which would result in forcing or holding the price of any farm commodity below the parity price.

The committee feels confident, in the light of the experience of almost 9 years, that these recommendations of the Farm Bureau with

regard to the negotiation of trade agreements have been, and will continue to be, fully taken into account in the administration of the Trade Agreements Act.

The committee wishes to call particular attention to the following quotations from the statement submitted by the president of the Farm Bureau:

The continuation of a trade-agreements program on a sound basis is of vital importance to agriculture and to the entire Nation.

The restoration of normal trade among the nations of the world is essential to the maintenance of a stable and lasting peace. We can hope to achieve a lasting peace only if we find ways and means of preventing bitter tariff and trade wars which engender further bitterness, hatred, and insecurity.

Through a sensible, practical application of trade agreements, the nations of the world can eliminate discriminatory trade practices, reduce excessive trade barriers, avoid disastrous tariff wars, and promote the maximum volume of trade with mutually beneficial results. It is imperative that we have some practical, workable means of working out favorable trade relations with the other nations of the world when the war is over to help restore world trade and economic stability.

* * * * *

The restoration of our foreign outlets for both industrial and agricultural exports is therefore vitally important in order to permit our agriculture and industry to maintain a sufficient volume of production to avoid widespread unemployment and depression prices.

The preservation of private enterprise is also at stake in our post-war trade policy. If we should decide to adopt the policy of extreme nationalism with embargo tariffs, bilateral trading, and control of imports and exports we would inevitably be forced into complete regimentation of business and agriculture in order to effectively enforce such foreign trade controls. The complete licensing and control of imports and exports which would be required under such a system inevitably leads to further regimentation and control of domestic industry and agriculture by Government. In addition, the greatly reduced volume of our exports would inevitably force drastic Government controls over domestic production and prices, and increasing reliance upon governmental subsidies for industry, labor, and agriculture through higher tariffs, subsidy payments, and Government work projects. The continued extension of Government controls under such policies would seriously jeopardize the continuation of private enterprise.

* * * * *

American agriculture has a very important stake in the restoration of our export outlets.

In normal times nearly one-half of all our exports consist of agricultural commodities, and the producers of many of our major agricultural commodities are heavily dependent upon export markets for a large share of their products, as shown by the following table:

Commodity	Percent	Commodity	Percent	Commodity	Percent
Wheat.....	20	Cotton.....	50	Lard.....	40
Tobacco.....	40	Prunes.....	50	Raisins.....	35
Dried apricots.....	60	Pears.....	20	Apples.....	15

Much has been said about "the American market for the American farmer," but the American market alone is not enough to provide an adequate standard of living for American farmers. American agriculture cannot have a standard of living comparable to industry and labor if agriculture is forced to depend upon the domestic market alone for the outlets for its production. Unless we can regain export outlets for many of our basic commodities, it will mean reduced production and reduced income for millions of farmers. There are 10,000,000 farm people in the South dependent upon cotton, and 5,000,000 in the Corn Belt dependent upon corn and hogs, not to mention millions of others dependent upon other export commodities.

It is much more important to the American farmer to have profitable markets for his total production than to have exclusive access to a domestic market too restricted to maintain an adequate income for American agriculture.

* * * * *

It would be little short of disastrous to go back to the old system of embargo tariffs and trade wars. Trade agreements offer a means by which we can readjust our tariffs up or down in a highly flexible manner so as to gain the maximum of advantages from other nations in return for concessions which we are willing voluntarily to make to them.

The results of 9 years of experience under the trade-agreements program show the advantages of this method of dealing with our foreign-trade problems and justify the continuation of this mechanism for promoting increased trade.

Dr. T. W. Schultz, professor of agricultural economics at Iowa State College, strongly endorsed the trade-agreements program from the viewpoint of agriculture. Dr. Schultz is not only an outstanding authority on agricultural economics but over a period of years he has given painstaking attention to the operation of the trade agreements in relation to our agricultural interests. In 1939 at the request of the American Farm Bureau Federation, Dr. Schultz made an objective analysis of the trade-agreement operations for that organization and the favorable report made by him at that time was reaffirmed by him in his recent appearance before the committee. He summarized his current position on the matter as follows:

1. Following World War I, agricultural trade was not given adequate consideration. As a consequence farmers of the world suffered tragically. Agriculture became the depressed area, marked in black, on our economic maps.

2. Schemes to rescue agriculture followed. Coffee valorization, Chadbourne plan for sugar, Stevenson plan for rubber, international tea committee, national monopolies for tobacco, imperial preference, wheat agreements, and Agricultural Adjustment Administration at home.

3. Trade agreements have stopped the trend toward ever higher trade barriers and nobody has been "sold down the river." Farmers have benefited substantially along with other groups.

4. Trade agreements have not gone far enough fast enough. Our quotas and other trade restrictions have kept and are keeping Canadian farm products out—food and feed that we need urgently.

5. Farmers have come to have confidence in the way in which trade agreements are negotiated. They see it as an orderly procedure within a democratic framework in which their interests are adequately represented.

6. Small nations and peoples abroad generally, especially in South America, have favored and welcomed our leadership toward lower trade barriers. However, they have been apprehensive, in fact fear, that we will again return to our earlier role of economic isolation.

7. Politically and economically the trade agreements are an essential minimum in planning for a peaceful world.

A detailed study entitled "The Reciprocal Trade Agreements and Agriculture," prepared by A. C. Bunce, assistant professor of agricultural economics at Iowa State College, was inserted in the record by Dr. Schultz at the conclusion of his testimony (unrevised committee print, pp. 721-743).

THE OPINION OF THE NATION'S ECONOMISTS

On the economic phases of this question no group in the United States is more entitled to be heard than the professional economists. These men and women who devote their lives to the study and exposition of the reasons for our national prosperity or lack of it, have no interest

to serve but that of truth. When they combine in an opinion on a matter in their field, it should be most persuasive.

The Members of the House are all familiar with the fact that the lingo of economists is sometimes hard for common men to follow, and what is more important, that they often disagree. On many matters that have come before the Congress professional opinion could be cited on both sides.

On the matter now before us the opposite is true. More than 1,500 of the country's professional economists have joined in a unanimous endorsement of renewal of the Trade Agreements Act. The signers come from every State of the Union, and from more than 250 American institutions of learning. They include the leaders of the profession everywhere. Their statement is unanimous, and clear. It is as follows:

We believe that the Trade Agreements Act, which authorizes the Hull program of tariff reduction through tariff bargaining, should be renewed. The act, originally enacted in June 1934, was extended in 1937 and in 1940, and on each occasion for a period of 3 years. A bill is now pending in Congress to continue the authority to negotiate reciprocal trade agreements for a fourth 3-year period, but the fate of the bill is uncertain.

The repudiation of the trade-agreements program at this juncture would be a national tragedy. After the war there will be a crying demand for America's mass-production goods and farm products from every country in the world. If we maintain a liberal policy regarding imports, this demand can create thousands of post-war jobs in this country, utilizing industrial and agricultural capacity which otherwise would be idle. But to export we must be willing to import. Hence, the renewal of the trade-agreements program is essential for the maintenance of employment and business activity at a high level after the war. Moreover, in the Atlantic Charter the United States is pledged to the long-run principle that all nations, great and small, should have access on equal terms to the trade and raw materials of the world. Access to raw materials means in reality access to markets for manufactured goods, for an industrial country with inadequate domestic supplies of metals or textiles fibers can acquire them only by acquiring foreign exchange through the sale of its own goods and services in the markets of the world. Every country, therefore, if it wishes to promote the expansion of world trade, which is a fundamental condition for the establishment of a durable peace, must show greater willingness to accept the goods of other countries. In other words, the lowering of tariffs under the leadership of the great trading nations is an essential means of realizing the program of economic and political cooperation endorsed by the United Nations.

The decision which Congress will make within a few months is fraught with as great possibilities for good or evil as that which it made in 1930 when it enacted the Hawley-Smoot tariff. Several months before that act became law, more than a thousand economists and teachers of economics protested against its skyscraping rates. They pointed out the burdens which the new tariff would impose on millions of farmers, miners, workers employed in building construction, on railroads, in public utilities, and on the great mass of white-collar workers, bank clerks, newspapermen, employees in wholesale and retail trade. The economists showed how absurd it was for the United States, now that it had become a great creditor country, to raise barriers against the import of the foreign goods which constituted repayment of its loans. They predicted that the Hawley-Smoot tariff would inject new bitterness into international relations, and that it would "plainly invite other nations to compete with us in raising further barriers to trade." They concluded with the statement that "a tariff war does not furnish good soil for the growth of world peace."

Once again the American people, through their Government, are setting the course of international trade policy. If Congress at this critical time, by failing to renew the Trade Agreements Act, repudiates the liberal trade policy which Secretary Hull has so persistently pursued for the past 9 years, our allies in the United Nations and all neutral countries will place only one interpretation on that act. Rightly or wrongly, the nations of the world will take the vote of Congress as evidence that the United States, in the midst of the war, has chosen for post-war years the course of isolation. They will then have no choice but to

drop plans for economic cooperation, plunging ahead into short-sighted programs of trade discrimination, exclusive imperial- and bloc-trading groups, and beggar-my-neighbor policies of all kinds. If the United States wants a better economic world and a more durable peace after the present war, this is not the way to begin.

In urging the renewal of the act of 1934 we do not mean to imply that tariff bargaining is, by itself, an adequate program of United States economic policy for the post-war period. Many of us believe that much more is required and that additional techniques of quite a different character need to be tried. Some of us would like to see American policy turn toward laissez-faire; some toward a greater measure of planning. But all of us stand on this common ground: We are convinced (1) that a world-wide reversion toward nationalistic protectionism after the war will hinder the development of all types of reasonable reconstruction programs, (2) that the pattern of cooperative action which the American trade agreements program provides is the minimum basis of United States post-war policy, and (3) that the repudiation of this program by Congress would inevitably start an avalanche of trade restrictions in foreign countries. The economic preparation for World War No. 3 would have begun.

We do not believe that our Representatives and Senators wish to incur responsibility for such a disaster either by outright rejection of the policy or by emasculating amendments. We believe that economic barriers tend to produce ill will between nations and to lower standards of living both at home and abroad. We are proud of the fact that in 1934, in the midst of a world-wide trend toward national isolationism, the United States adopted a trade-agreements program looking toward mutual reduction of international economic barriers. We believe that it would be a major tragedy if the United States should repudiate this program at a time when all the United Nations are looking to us for leadership. We therefore urge most strongly that the Trade Agreements Act be renewed.

THE OPINION OF PUBLIC INTEREST GROUPS

Many of the witnesses who appear before congressional committees do so to represent some special interest. This is not said in criticism; all interests in a democracy are entitled to be heard. But when substantial numbers of disinterested people, with no interest to serve except the welfare of the country, find a matter so important that they send spokesmen to express their views, it is a matter of importance. And when all such delegations have one view, no one can help being impressed.

The preceding section of this report makes special reference to one of the petitions in this class, that of the professional economists. In addition, there were many other groups of men and women, not identified by occupation, who expressed themselves in favor of the present resolution. Among those were the Young Women's Christian Association; the General Federation of Women's Clubs; the National League of Women Voters; and Citizens for Victory, the successor to the Committee to Defend America by Aiding the Allies. Likewise, Mr. John Foster Dulles, the chairman of the Commission to Study the Bases of a Just and Lasting Peace, instituted by the Federal Council of the Churches of Christ in America, and himself a distinguished authority on and participant in international affairs, communicated a strong endorsement of the pending resolution to the committee.

The statement presented on behalf of the National League of Women Voters is representative of the unqualified support which these public interest groups have given to the trade-agreements program. It is apparent from a reading of the following portions of this statement that the endorsement of this act by the National League of Women Voters represents an exceedingly well-informed and carefully considered opinion:

The National League of Women Voters again wishes to express its support of reenactment of the Trade Agreements Act. We have continued to watch the

operation of the act and are convinced that it should be extended for another 8-year period without limiting amendments.

Its reenactment at this time has a special significance. The action of the Congress will be taken by other countries as well as by citizens of the United States as indication of the trade policy the United States may favor at the close of the war. Repudiation of the policy set forth in the Trade Agreements Act would be taken as warning that the United States intends to "go it alone" after the war. Repudiation can come about either by outright defeat of the bill calling for a 3-year extension or amendments that would destroy the effectiveness of the program.

Every time the act has been considered, the question of congressional participation in the final decisions on the individual agreements has been raised. It seems to us that the proper function of the Congress is to establish a trade policy for the United States and to provide for periodic review of the administration of this policy. In the Trade Agreements Act the Congress has stated that the policy of the United States is to promote international trade. It establishes limits within which the Executive can act. It provides for periodic review of the administration of the act as well as of the policy it enunciates, by enacting it for 8-year periods.

The principal advantage of the trade-agreements program lies in the bargaining it makes possible with other countries to get advantages for American exports in exchange for lowered American tariff rates. This bargaining the Congress cannot do. It must be done by the Executive. Neither can the Executive do it successfully if his bargaining power is curtailed by requiring that final decisions be made by the Congress.

The only valid reasons for requiring such additional action by Congress would be that the power granted in the act has been abused and that it is unconstitutional. We submit that in all of the testimony there has been no charge of abuse of power, only disagreement about the wisdom of some few decisions that have been made. The status of Executive agreements has been tested time and again in the courts and without exception they have been upheld as constitutional.

The only result to be expected by requiring agreements to come back to Congress for Senate approval or approval by both Houses, or for congressional veto would be to limit the usefulness of the program.

The suggestion that the act be renewed for a year, or for the duration of the war, only shows lack of confidence in the program and is a way of temporizing with the basic policy enunciated in the act. It is obvious that we cannot now foresee all of the economic dislocations that will come as the result of the war. We cannot now plan completely to meet the situation. In the Trade Agreements Act the Congress has said that it wishes the United States to pursue a policy of increased international trade as opposed to one of restricted trade.

* * * * *

Various proposals have been made for giving affected interests greater opportunity to press their claims. The whole practice of delegating to representatives of special-interest groups the authority for controlling the policies of Government is questionable. We have drifted into the practice of having advisory committees composed of representatives of special-interest groups which in many instances actually determine policy. These representatives sit on the advisory committees, not just to contribute their knowledge of problems bearing on their groups, but to press the interest of the groups they represent. There has been no careful consideration of the results of this practice. It is a means of getting the consent of affected groups to governmental programs, but is it a satisfactory means of getting the consent of the whole people? There has been little study to indicate whether the interest of all the people is best served by this technique. Under these arrangements the elected officials—both legislators and executives—delegate some of their representative functions to special-interest groups.

Full opportunity to provide information should be given to such groups, and in our opinion is adequately given under the current procedures of the trade-agreements organization. Direct representation of these groups in the process of negotiation can serve no useful purpose, and would add greatly to the difficulty of carrying out the program.

In conclusion, I urge this committee to recommend extension of the Trade Agreements Act for another 3-year period. It would be encouraging to the American public if that report could be unanimous. Failure to renew the act at this time would, in our estimation, show that this Congress is ready to commit

the United States to a post-war policy of extreme nationalism. Such action would stimulate the nationalistic tendencies already showing up in other countries, and might be the one action that would scuttle post-war attempts to work out satisfactory cooperative undertakings with the other countries of the world.

OVERWHELMING PRESS SUPPORT

The trade-agreements program has been the subject of editorial comment in a great many newspapers in all parts of the United States, both before, during, and since the committee's hearings. Here also, the opinion expressed is strikingly close to unanimity. Overwhelmingly, the country's press supports the trade-agreements program. An analysis of newspaper opinion prepared by James S. Twohey Associates, an independent agency, reported on April 17, 1943, that of the newspapers that have commented on the program some 86 percent are in favor of renewal. With regard to the remaining 14 percent, the Twohey analysis makes this comment:

Only 14 percent of the press offers opposition to the trade act and most of this opposition is of an oblique, sniping type rather than straightforward disapproval.

The significance of this overwhelming support by the press is that it is thoroughly nonpartisan; it comes from all sections of the country and from Republican and Independent papers as well as Democratic papers. Some of the strongest support has come from Republican papers.

Among newspapers, in all parts of the country, that have commented favorably on the trade-agreements program are the following:

Asheville Citizen (ID), Asheville, N. C.
 Atlanta Constitution (D), Atlanta, Ga.
 Atlanta Journal (D), Atlanta, Ga.
 Augusta, Kennebec Journal (I), Augusta, Maine.

Baltimore Sun (ID), Baltimore, Md.
 Belleville Times (D), Belleville, Tex.
 Birmingham News (ID), Birmingham, Ala.
 Bloomington Pantagraph (I), Bloomington, Ill.
 Boise Statesman (R), Boise, Idaho.
 Boston Herald (IR), Boston, Mass.
 Bridgeport Post (I), Bridgeport, Conn.

Camden Courier (I), Camden, N. J.
 Charlotte News (D), Charlotte, N. C.
 Chicago Journal of Commerce (I), Chicago, Ill.
 Chicago Sun (I), Chicago, Ill.
 Christian Science Monitor (I), Boston, Mass.
 Cincinnati Enquirer (ID), Cincinnati, Ohio.
 Cincinnati Post (I), Cincinnati, Ohio.
 Cleveland News (R), Cleveland, Ohio.
 Cleveland Plain Dealer (D), Cleveland, Ohio.
 Cleveland Press (I), Cleveland, Ohio.
 Columbia Record (D), Columbia, S. C.
 Columbia State (D), Columbia, S. C.
 Concord Monitor (I), Concord, N. H.

Dallas Daily Times Herald (ID), Dallas, Tex.
 Dallas News (ID), Dallas, Tex.
 Dayton News (ID), Dayton, Ohio.
 Des Moines Register (I), Des Moines, Iowa.
 Detroit News (I), Detroit, Mich.
 Duluth News-Tribune (R), Duluth, Minn.

El Paso Times (D), El Paso, Tex.
 Emporia Gazette (IR), Emporia, Kans.
 Evansville Press (I), Evansville, Ind.

Fort Worth Star-Telegram (ID), Fort Worth, Tex.

Galveston News (ID), Galveston, Tex.
 Grand Forks Herald (I), Grand Forks, N. Dak.
 Greensboro News (I), Greensboro, N. C.

Hamilton Journal-News (I), Hamilton, Ohio.
 Hartford Courant (R), Hartford, Conn.
 Hartford Times (ID), Hartford, Conn.
 Houston Post (D), Houston, Tex.
 Houston Press (I), Houston, Tex.

Indianapolis News (I), Indianapolis, Ind.

Jacksonville, Florida Times-Union (ID), Jacksonville, Fla.
 Jacksonville Journal (D), Jacksonville, Fla.
 Johnson City Press (ID), Johnson City, Tenn.
 Journal of Commerce (I), New York, N. Y.

Kahoka Gazette-Herald, Kahoka, Mo.
 Kalamazoo Gazette (NP), Kalamazoo, Mich.
 Kansas City Star (I), Kansas City, Mo.
 Kansas City Times (I), Kansas City, Mo.
 Knoxville News-Sentinel (I), Knoxville, Tenn.

Lexington Herald (I), Lexington, Ky.
 Little Rock, Arkansas Democrat (D), Little Rock, Ark.
 Little Rock, Gazette (ID), Little Rock, Ark.
 Los Angeles Times (R), Los Angeles, Calif.
 Louisville Courier-Journal (I), Louisville, Ky.
 Lynchburg News (D), Lynchburg, Va.

Madison Capital Times (I), Madison, Wis.
 Madison Wisconsin State Journal (IR), Madison, Wis.
 Manchester Union (IR), Manchester, N. H.
 Marshalltown Times-Republican (R), Marshalltown, Iowa.
 Memphis Commercial Appeal (I), Memphis, Tenn.
 Memphis Press-Scimitar (I), Memphis, Tenn.
 Miami Daily News (D), Miami, Fla.
 Miami Herald (ID), Miami, Fla.
 Milwaukee Journal (I), Milwaukee, Wis.
 Minneapolis Star-Journal (I), Minneapolis, Minn.
 Mobile Register (ID), Mobile, Ala.
 Muskegon Chronicle (I), Muskegon, Mich.

Nashville Tennessean (I), Nashville, Tenn.
 Newark Evening News (I), Newark, N. J.
 New Bedford Standard-Times (I), New Bedford, Mass.
 New Haven Journal-Courier (I), New Haven, Conn.
 New Orleans Times-Picayune (ID), New Orleans, La.
 New York Evening Post (I), New York, N. Y.
 New York Herald Tribune (IR), New York, N. Y.
 New York Times (ID), New York, N. Y.
 New York World-Telegram (I), New York, N. Y.

Oklahoma City Oklahoman (ID), Oklahoma City, Okla.

Paterson Call (R), Paterson, N. J.
 Philadelphia Bulletin (IR), Philadelphia, Pa.
 Philadelphia Inquirer (I), Philadelphia, Pa.
 Philadelphia Record (I), Philadelphia, Pa.
 Pittsburgh Post-Gazette (IR), Pittsburgh, Pa.
 Pittsburgh Press (I), Pittsburgh, Pa.

Pittsfield Berkshire Eagle (I), Pittsfield, Mass.
 Plainfield Courier-News (IR), Plainfield, N. J.
 PM, New York, N. Y.
 Portland Oregon Journal (IR), Portland, Oreg.
 Providence Journal (I), Providence, R. I.

Raleigh News and Observer (D), Raleigh, N. C.
 Richmond Times-Dispatch (ID), Richmond, Va.
 Rochester Democrat and Chronicle (R), Rochester, N. Y.

Salina Journal (IR), Salina, Kans.
 San Antonio Express (ID), San Antonio, Tex.
 San Francisco Chronicle (IR), San Francisco, Calif.
 San Francisco Examiner (I), San Francisco, Calif.
 San Francisco News (I), San Francisco, Calif.
 Savannah News (ID), Savannah, Ga.
 Schenectady Gazette (ID), Schenectady, N. Y.
 Schenectady Union-Star (IR), Schenectady, N. Y.
 Seattle Star (I), Seattle, Wash.
 Seattle Times (I), Seattle, Wash.
 Springfield Republican (I), Springfield, Mass.
 Springfield Sun (I), Springfield, Ohio.
 St. Louis Globe-Democrat (I), St. Louis, Mo.
 St. Louis Post-Dispatch (ID), St. Louis, Mo.
 St. Louis Star-Times (I), St. Louis, Mo.
 St. Paul Dispatch (I), St. Paul, Minn.
 St. Paul Pioneer Press (I), St. Paul, Minn.
 Syracuse Herald-Journal (I), Syracuse, N. Y.
 Syracuse Post-Standard (R), Syracuse, N. Y.

Tacoma Times (I), Tacoma, Wash.
 Tampa Daily Times (D), Tampa, Fla.
 Tampa Tribune (D), Tampa, Fla.
 Texarkana Gazette (ID), Texarkana, Tex.
 Tucson Star (I), Tucson, Ariz.

Ventura Star Free Press (I), Ventura, Calif.

Waco News-Tribune (ID), Waco, Tex.
 Washington Daily News (I), Washington, D. C.
 Washington, Evening Star (I), Washington, D. C.
 Washington Post (I), Washington, D. C.
 Wall Street Journal (I), New York, N. Y.
 Watertown Times (IR), Watertown, N. Y.
 Wichita Falls Times (D), Wichita Falls, Tex.
 Wilmington Journal Every Evening (I), Wilmington, Del.
 Wilmington News (I), Wilmington, Del.
 Winston-Salem Journal (ID), Winston-Salem, N. C.

Youngstown Vindicator (ID), Youngstown, Ohio.

The following is a brief sampling of editorial opinion from various parts of the country:

Baltimore Sun (ID), April 26:

* * * it seems safe to hope that there will be enough members of both Houses to appreciate how paralyzing a blow to our plans for a stable peace would be rejection or crippling amendment of the Trade Agreements Act.

Boise (Idaho) Statesman (R), April 15:

Mr. Hull's policy has proved economically sound, and it is beyond denial that it is largely responsible for solidarity in this hemisphere. Isolationism is as outmoded as the feudal estate.

Boston Herald (IR), December 24:

The [trade] agreements represent the spirit of democracy. Foreign trade cannot be merely a one-way process. To sell we must buy.

Chicago Sun (I), April 18:

Extension of the Trade Agreements Act is clearly one arm of the only post-war policy by which we can hope to prevent the rise of new aggressors.

Christian Science Monitor (I), April 14:

At no time in the years since the [trade-agreements] program began has it been more important for Americans to show themselves clearly behind this act than now.

Cincinnati Enquirer (ID), January 26:

For this Nation to abandon its reciprocal trade-treaty system this spring would confirm the worst fears of the rest of the world that the United States intended after the war to go back to the economic nationalism which proved so injurious before.

Cleveland Plain Dealer (ID), April 6:

One of the severest blows that could be delivered to the war effort would be rejection of Hull's request for renewal [of the Trade Agreements Act]. * * * It would be an international calamity to reject reciprocity now.

Dallas News (ID), April 19:

These treaties have been a help to our trade and are indispensable as a foundation for our post-war commerce with other nations. To drop the [trade-agreements] program now would be to abandon one of the main provisions of the Atlantic Charter and to cause our allies to distrust us.

Des Moines Register (I), April 12:

On the broader basis of the interests of the country and the world there never was much question about the desirability of carefully controlled and limited procedure for taking the top off the worst of the trade barriers, as set forth in the Trade Agreements Act. The world-shaking events of the last few years, especially, are at last awakening people to the highly painful and personal consequences of neglecting world interests.

Detroit News (I), April 14:

Wise Republicans * * * prefer not to make a party fight against the trade-treaty program. * * * Trend now toward commercial isolation would move toward political isolation.

Emporia (Kans.) Gazette (IR), April 12:

Pointing out that trade is "part of America's big post-war opportunity," the National League of Women Voters has fired a broadside in the battle for renewal of the trade-agreements program. * * * Notice is hereby given to the Kansas statesmen in Washington that "Mom," speaking through the League of Women Voters, is not to be sneezed at. She may pop up in some primary or election with her war paint on. She might have enough strength to chase you into the doghouse.

Florida Times-Union (ID), Jacksonville, April 17:

Renewal of the Reciprocal Trade Act will assure all the peoples of the world that we really mean to stand by the agreements which embody the high ideals expressed in the Atlantic Charter. Conversely, failure to renew the act would in effect repudiate one of the basic promises made in that document.

Grand Forks (N. Dak.) Herald (I), April 8:

If international trade is to be promoted there must be international agreement on tariffs, and while no system can be expected to work perfectly the system of international agreements negotiated and concluded by the Secretary of State seems the nearest approach to solution of the problem that has been devised.

Hartford Courant (R), April 14:

Mr. Hull should be joined in his plea for a stand that would have a "most heartening effect on people here and everywhere who look forward, with profound hope, to a world rich in economic and spiritual opportunities for all." The Secretary's arguments are on high ground and are irrefutable.

Indianapolis News (I), April 15:

The Hull argument that the [trade-agreement] policy is essential to both the war and the adjustments of the peace is powerful and probably will be effective.

Journal of Commerce (I), New York, January 13:

The high-tariff policy pursued by the United States following the First World War contributed to world economic difficulties. The extension of the Reciprocal Trade Agreement Act would demonstrate that Congress does not want to do the same thing again following the present conflict.

Kansas City (Mo.) Times (I), April 13:

If it [Trade Agreements Act] is not renewed before that time, Congress will have put the world on notice that we are withdrawing from a vital field of cooperative effort. The shock to the hope of our allies and friends for a durable peace can readily be imagined.

Los Angeles Times (R), December 25:

* * * In general, both Mexico and the United States have everything to gain and very little to lose from expanded commercial interchange, which should lead to greater friendliness in all relations. If the new pact results in both countries becoming better customers of each other it will have very beneficial results.

Madison (Wis.) State Journal (IR), April 6:

To overcome some of the disadvantages of these tariff walls there were established reciprocal-trade treaties with some 25 nations. Unfortunately, in the past, the dairy industry generally opposed these agreements. Today the more enlightened farmer approves their principle. Already they have offered many advantages to American agriculture, industry, and business generally.

Manchester (N. H.) Union (IR), April 14:

There is no doubt that the failure of Congress to renew the Reciprocal Trade Agreements Act, which will expire in June unless Congress takes action to maintain it, would have an injurious effect on inter-Allied relations and the progress of the war.

Milwaukee Journal (I), April 19:

Congress is reported likely not to extend the Trade Agreements Act, or at least to amend and restrict. Yet in their 9-year history the trade agreements have been the only forward, successful part of our economic policy.

Minneapolis Star-Journal (I), April 7:

The action Congress takes on renewal of the Trade Agreements Act will be one of the prime factors in determining whether the prewar and wartime controls over individual enterprise, in the international field, shall be demobilized or tightened when the war is won.

New Orleans Times-Picayune (ID), January 24:

If the Republicans intend to make the reciprocal-trade treaty program a party football, their choice may not be a happy one. They can hardly refuse to permit renewal of the President's authority to make the treaties without waging a fight that will antagonize some of our war allies and expose themselves to the charge of impairing our relations abroad.

New York Times (ID), April 3:

* * * the congressional Republicans themselves have been reminded of the fact that historically their own party was the first to sponsor tariff reciprocity. These things considered, it becomes possible to hope for strong bipartisan support for renewal of the present act.

New York Herald Tribune (IR), April 3:

Of proved value in the past, the Trade Agreements Act is even more valuable today as an assurance to our allies that the United States will not relapse into a narrow isolation after the war, and it will be more valuable still tomorrow. * * *

Philadelphia Inquirer (I), April 4:

The case for formally continuing the trade pacts rests on broad public policy. Prompt action by Congress would give welcome assurance to our allies and help to strengthen the common cause.

Philadelphia Bulletin (IR), April 3:

In renewing the reciprocity treaties, the United States is not being asked to do out of altruism anything not to its own advantage.

Pittsburgh Post-Gazette (IR), April 14:

* * * Mr. Hull is right when he observes that renewal or repudiation of the reciprocal trade policy will be viewed as a sign post indicating the path that the United States will follow when the world is again at peace.

Portland Oregon Journal (IR), April 15:

In the long view and despite certain maladjustments, the reciprocal trade agreements have increased our foreign trade, they have demonstrated that we can and will cooperate on a world-wide scale, and they have gone a long way toward eliminating the extreme nationalisms, the trade rivalries, and the actual hatreds engendered by the dog-eat-dog trade relations of the past and the short-sighted tariff wars that tended to Balkanize the world.

Providence (R. I.) Journal (I), April 19:

Today it is scarcely conceivable that any legislator in this country who clearly understood the implications of his action would vote against renewal of the Reciprocal Trade Agreements Act.

St. Louis Post-Dispatch (ID), April 6:

If common sense prevails, there ought to be little debate about continuing a policy that is advantageous to us and that is among the nations of the world a pledge of our good faith.

St. Paul Pioneer Press (I), April 14:

To judge by what the Congressman * * * said, he thinks that the reciprocal trade agreements have ruined agriculture. This is not true of the past, is not true of the present, and will not be true of the future. In fact, there is good reason to believe that the only real and lasting solution of the farm problem possible, must come through a general reduction of world trade barriers after the war, and a general increase of world trade.

San Francisco Chronicle (IR), April 6:

Standing alone, the reciprocal-trade treaty program would deserve prompt and unequivocal support of the Senators. As an important part of the fabric of State Department activity, the renewal asked should be a routine matter of common sense.

Seattle Star (I), February 13:

Mr. Willkie did a good job in his Indianapolis speech in summoning from the Republican Pantheon such worthies as Blaine, McKinley, and Taft to support the reciprocal trade policy. * * * That a Republican majority will challenge the renewal of these treaties—and thus raise the charge of isolationism at a moment when there is virtually no commercial foreign trade anyway—seems improbable.

Springfield (Mass.) Republican (I), April 5:

An important initial installment of the answer to the question—and one that the world would understand at sight—would be the practically unanimous extension for another term of years by Congress of the Trade Agreements Act. Legislation to that effect would signify that this Congress was not disposed to revive that form of extreme economic isolation which a new high protective tariff would certainly involve.

Syracuse Post-Standard (R), April 5:

If we should, by any chance, turn the tariff program down now, it would mean to other nations simply that we placed nationalism and our own affairs

above international cooperation and aid in rebuilding a world damaged badly by wars resulting from this same type of nationalism.

Tucson Star (I), April 14:

Secretary Hull has just appeared before Congress to ask that this program [trade agreements], which expires in June, be renewed * * * the failure of Congress to act will amount to notice to the world that in the future the American Congress will not ratify or help or continue what has been, for nearly 10 years, a consistent American international economic policy.

Wall Street Journal (I), April 3:

Our experience since 1934 has proved that the process of negotiating reciprocal-trade agreements offers the one practical approach to a moderation of the fierce nationalism which destroys world trade; at any rate, the one approach open to a tariff-protected economy.

Washington (D. C.) Post (I), April 3:

There have been disturbing rumors of late that when the Trade Agreements Act of 1940 expires next June Congress will either allow it to lapse or renew it in a form that will destroy its usefulness. * * * For us to abandon it at a time when its usefulness can now really begin would be a blunder worse than a crime.

Wilmington (Del.) News (I), April 13:

The repudiation of the policy of reciprocal-trade agreements by Congress now would have a chilling effect on the nations now our friends.

V

ANALYSIS OF OPPOSITION ARGUMENTS

The most impressive aspect of the opposition as revealed in the hearings is that there is less of it than there has been previously and that which remains comes not from any new quarter but rather from the same quarters and generally the same persons, as have opposed the trade-agreements program from the beginning. It is noteworthy that during the 9 years that the program has been in operation many individuals and groups who formerly were in opposition or only lukewarm to the program have shifted their position to one of support.

The opposition criticisms of the program as developed in the hearings centered around several subjects which are briefly analyzed hereafter.

FUTURE UNCERTAINTIES

Certain opponents of the trade-agreements program have sought to base their opposition to its continuance on the ground that it would be dangerous to renew this authority in view of the great uncertainties which lie ahead. These opponents also make this argument in support of amendments to limit the duration of the act for 1 year or some other lesser period than the customary 3-year period.

The testimony, on the other hand, from all sources is overwhelmingly on the side of viewing these very uncertainties as one of the reasons which make it imperative that this act be given a clean-cut continuance for the customary 3-year period.

Our interest is in doing all that we can to make sure that post-war conditions are not permitted to relapse into chaos. Of course, there are uncertainties about many things in the post-war period, but the important point is that unless we and other like-minded nations take

a position now on certain agreed policies and establish procedures for making these policies effective the uncertainties which we fear will soon become the certainties of past, sad experience. We can to a large degree influence the conditions which will face us after the war, but we can only do this through action and not through yielding to the defeatism of nonaction.

Renewal of the Trade Agreements Act for the customary 3-year period will go far to head off the worst eventualities in the post-war reconstruction period for several reasons:

(1) It will give the other nations concrete proof that we can and will stand by this policy and the principles embodied in the United Nations declaration.

(2) Only with such assurance can the other nations also stand by these principles, since of necessity their commercial policies must in large part be adjusted to our position.

(3) The existing trade agreements, of themselves, will maintain an important degree of stability. New agreements and revision of existing agreements under this flexible mechanism will permit speedy adjustments as such become necessary to promote and maintain stability in the commercial policy field.

(4) Only through the establishment of a sound and stable policy in the trade-barrier field can progress be made toward working out sound and stable policies in international currency exchanges and other financial and economic fields.

(5) Any prospect for the solution of the international security problems in the long run depends upon a sound and stable solution of the economic and financial problems.

As the committee has indicated elsewhere in this report, the testimony of spokesmen representing leading business, agriculture, and labor groups does not indicate that our producers look forward to the post-war situation with defeatist forebodings. Rather, these people see the future in terms of great opportunity so long as they can be certain that governments will not place unnecessary, nationalistic restrictions in the way of trade. In fact, these representatives of American business, labor, and agriculture assert that our productive and competitive strength will be such in the post-war period that we have little to fear from the uncertainties of foreign competition. They feel confident in their ability to meet any such uncertainties. The uncertainty which they fear most in this field is the capricious destruction or limitation of their opportunities by governmental restrictions. This is, in truth, the most fearsome uncertainty for us in the post-war trade field, and it is precisely this uncertainty which clean-cut renewal of the trade-agreements program for the customary 3 years is designed to remove.

It should be noted in this connection that while the trade-agreements policy contributes to basic stability in this field the agreements themselves contain carefully drawn safeguarding provisions, sometimes called escape clauses, which reserve to us and the other party any necessary freedom of action to adjust particular concessions in the event unforeseen developments should make such action advisable. In this way flexibility is preserved where flexibility may be needed, while the program as a whole provides the basic stability and sense of

direction which is imperative unless we are supinely to surrender our vital interests to the forces of chaotic uncertainty which, as experience has proved, all too soon become disastrous certainties.

For these positive reasons, and because of its desire to avoid the risk of weakening the confidence of our allies in our good intentions in regard to economic cooperation with them not only during the war but thereafter, as renewal for other than the customary 3-year period would entail, the committee rejected proposals for extension for only 1 or 2 years.

SHOULD TRADE BARRIERS BE REDUCED?

Much of the opposition to the program is aimed, either explicitly or implicitly, at any policy that is intended to increase international trade. It is against any abridgment of the present protective tariff—even where it is unnecessary—and against any constructive policy in regard to our international trade.

The justification for international trade is the same as that for trade within the Nation. It allows each area to specialize in the production of those commodities which are most suited to its resources and skills and to exchange its surplus thus produced for the commodities which it can produce only less efficiently. It provides all areas with more goods to consume than if each tried to supply all its own needs.

Imports and exports are but the two sides of the same shield. To sell the quantity of our agricultural and industrial export commodities that we would like we must also buy other commodities which the world can sell us more cheaply than we can produce them at home, as well as such items as coffee and tin, which we do not produce at home. Such trade increases the total volume of business of the United States and the standard of living here.

A larger American market, even though including some share for imports, stimulates domestic employment. Markets of abundance rather than markets of scarcity create supplementary employment in the distribution of a greater volume of goods. It is much more important for American farmers, manufacturers, and workers to have profitable markets for their total production than to have exclusive access to a domestic market too small to maintain the standard of living at desirable levels and to maintain healthy business conditions.

The fear of loss of domestic markets through trade agreements seems to stem from a picturization of our markets as dead and static, like a reservoir with neither inlet nor outlet. According to this view, if foreigners get some of the business, less is left for Americans. In reality our economy and that of the world is a living, dynamic organism which lives and grows on trade. There is not, in truth, just "so much" business to be done in the world and no more. Prosperity in one country tends to stimulate prosperity in other countries. Profitable outlets (domestic and foreign) for the total output of American producers are better than the exclusive right to a static domestic market.

The statements submitted by representatives of the American Federation of Labor and the Congress of Industrial Organizations, as well as the testimony of leading agricultural and business organizations and the professional economists, referred to in the previous section of

this report, make clear that the American standard of living has nothing to fear from the stimulation of full and mutually profitable international trade, but rather, that the maintenance and development of our standard of living is in fact substantially dependent on the stimulation of such trade.

COST-OF-PRODUCTION FORMULA

Some opponents of the trade-agreements program argue that even if trade barriers should be reduced that it can and should be done under a cost-of-production formula.

As the sole basis for tariff adjustment, reliance upon differences in cost of production is unsound in theory and cannot be applied in practice. Experience has shown that any attempt to obtain cost data from foreign producers is apt to arouse great resentment abroad against the United States. Complete data can seldom be obtained, especially in foreign countries, and when obtained are frequently of little value. Costs for some products, especially those of agricultural products, fluctuate widely from year to year. In the case of joint products and byproducts, the determination of cost of production offers insurmountable difficulties. In any country, there are as many costs as there are producers of the product. Hence, there is no such thing as "the" cost; the problem is one of selecting a so-called representative cost. On the basis of the same data different persons are likely to arrive at different conclusions.

It goes without saying, however, that when reliable cost data are available they are taken into account. In the administration of the trade-agreements program, available cost data have been supplied by the Tariff Commission and have been given considerable weight, along with other factors. Among these factors are the following: (1) Rank of the foreign country as a supplier; (2) present duty and tariff history; (3) effectiveness of the duty, including its relation to other duties; (4) domestic consumption and markets; (5) localization of foreign competition; (6) competitive factors other than cost of production, such as methods of production, comparability as to quality, and technological changes; (7) importance of the United States market to foreign suppliers; (8) foreign controls of prices and markets, including cartel operations; (9) exports from and imports into the United States; and (10) competitive conditions under the existing duty and probable effects thereon of a concession.

Amendment of the Trade Agreements Act to provide that all adjustments of the United States tariff in trade agreements must be based solely on differences in cost of production would result in the defeat of the purpose of the program. In the first place, the determination of the difference between cost of production at home and abroad for each product under consideration as a concession item would require a number of time-consuming cost investigations equal to the number of such products. In some agreements, such as that with the United Kingdom, in which this country made concessions on over 1,000 items, the time consumed in making the required cost investigations would run into many years. In the second place, it is not likely that any foreign country would accept differences in cost of production as the

sole criterion for making concessions on imports into the United States.

Some opponents of the trade-agreements program who prefer the cost-of-production formula for making tariff adjustments argue that United States costs will be higher after the war whereas foreign costs will not have risen. It is too early to say what may be the changes in production costs in the United States. There are, however, some factors which may retard any increase in costs and may even tend to result in lower costs after the war. In the first place a considerable part of United States industry will have much practically new plant and equipment which has been paid for out of war contracts. Much of this plant is readily convertible to peacetime production and, with only nominal depreciation charges, production costs will be materially reduced. Another and even more important factor is the rapid technological advance achieved by American manufacturers. Their know-how has been multiplied, their resourcefulness sharpened. Labor skills have also been increased and the efficiency of labor is growing to points where its larger productive capacity offsets the increased wages it receives. Mechanization of agriculture has not stopped during the war and it was effectively reducing agricultural costs before the war. In short, the United States has increased its capacity for efficient production to such a degree that one may be, more than ever, sanguine about its future.

PARITY FOR AGRICULTURE

Concern has been expressed by certain persons that the operation of this program may interfere with the Government's policy of attaining parity for agriculture. Such concern is unwarranted.

The committee and the Congress have from the outset regarded the trade-agreements program as an important adjunct of the Government's broad program to safeguard and promote the interests of American agriculture. The record of agriculture's progress over the past 9 years during which the trade-agreements program has been in operation gives both concrete proof that our expectation has been fulfilled, and the best assurance that this will continue to be true in the future. The committee now again affirms its intention that this program shall, as in the past, be administered in such a manner as to promote the progressive improvement of agriculture's position in the American economy.

Further, the committee invites attention to the fact that the trade agreements contain a clause which leaves the way open for the imposition of a quota on imports if they should tend to render ineffective a domestic agricultural program designed to improve the price of a domestic agricultural product.

There is no basic conflict between the trade-agreements program and the efforts of the Government to obtain parity for agriculture. On the contrary, the trade-agreements program has helped to relieve the long-standing tariff disadvantage under which American agriculture as a whole has labored for many years. The tariff has been reduced on many products which enter into farmers' cost of living, and better markets, at home as well as abroad, have been provided.

In this connection, the committee again calls attention to the

testimony of the president of the American Farm Bureau Federation and of Professor Schultz which shows conclusively that the trade agreements not only have not injured but have distinctly benefited American agriculture.

Farm prices and farm income go up when foreign trade increases and decline when foreign trade declines. Imports do not ruin farmers. The amount of agricultural imports responds, like farmers' income, to the over-all level of business and industrial activity, which in turn depends to an important degree on foreign as well as domestic markets. When this level is high there is a good demand for everything, which is the main condition for prosperity in both agriculture and industry. The relationship between farm prices, farmers' income, agricultural imports, and the level of industrial activity is shown by the following data which are based on the 1935-39 average as 100:

Year	Factory employment	Industrial production	Agricultural imports	Cash farm income (exclusive of Government payments)	Prices received by farmers
1929.....	108	110	186	142	133
1930.....	94	91	123	113	119
1931.....	80	75	84	80	82
1932.....	68	58	56	59	61
1933.....	75	69	61	67	66
1934.....	88	75	69	79	85
1935.....	93	87	90	89	102
1936.....	101	103	104	105	108
1937.....	111	113	132	111	114
1938.....	93	89	80	96	90
1939.....	102	108	94	99	87

It would be little short of disastrous to go back to the old system of embargo tariffs and trade wars.

Much has been said by opponents of the trade-agreements program about "the American market for the American farmer," but these opponents say nothing about the inability of the American market by itself to maintain the American farmer's standard of living. Agricultural production in the United States has been increasing but unless the export market for many basic farm products is enlarged, there will be a permanent reduction in farm output and a permanent reduction in income for millions of farmers. It is infinitely more important for the American farmer to have profitable markets for his total production than to have exclusive access to a domestic market too restricted to give him an income sufficient to maintain a respectable standard of living.

"HOW HIGH ARE UNITED STATES TARIFFS?"

Not long ago the American Tariff League published a pamphlet entitled "How High Are United States Tariffs?" in which statistics are presented purporting to show that the level of tariffs in the United States is lower than the level of tariffs in a number of foreign countries. Opponents of the trade-agreements program have sought to use this pamphlet for the purpose of arguing that our tariffs should not be reduced any further through trade agreements.

The committee has examined this pamphlet and finds it impossible to believe that anyone would try to base any serious arguments on it.

The pamphlet attempts to do something that cannot be done, namely, to measure the height of United States tariffs as compared with those of certain other countries. The method actually followed seeks to arrive at a comparison of the height of United States tariffs with those of a selected group of countries, by imagining a "representative" cargo of \$100,000,000 worth of goods going from country to country and paying the duties that would be chargeable on the various items in each country. The composition of the cargo is arrived at by applying ratios for the various categories and types of goods, based upon a study of the total trade of the United States and the United Kingdom.

The pamphlet ignores the fact that a relatively "low" duty can be, under some conditions, highly restrictive of trade, while, on the other hand, a relatively "high" duty need not, under certain conditions, be highly restrictive. Furthermore, measuring the "height" of a tariff by using as one primary factor in the calculation the actual duties collected is illogical since it does not take into account the goods that never enter at all owing to the fact that the tariff is so high that it does not pay to import them.

The use of a single "typical" cargo, representative of total world trade sounds much more scientific than it actually is. The same "typical" cargo is used for all countries, regardless of each country's actual imports or its needs. In some cases the results are little short of ludicrous.

It should be obvious, for instance, that a high duty by any country on a product of which that country is normally and predominantly a heavier exporter is largely nominal, and for purposes of an analysis such as this one purports to be, should not be included. Yet, the rigor with which the statistics are pursued forbids any modification of the hypothetical cargo. According to the pamphlet over \$1,800,000 worth of the cargo annually being imported into Argentina would consist of "hides and leather products," and the computed duty thereon would amount to 228 percent. By what possible stretch of the imagination should this figure be included as significant to a measurement of the restrictiveness of Argentine import controls? As a matter of fact, Argentina enjoys such a great advantage as an exporter of hides and skins that even if she imposed no duty at all on them she probably would import none. Likewise with wool; Argentina is shown as having a duty of 50 percent, on a product which is one of her principal exports.

Other products included in the Tariff League's "typical" cargo and of which Argentina is a heavy exporter are corn, wheat, flour, beef, and barley. These products, together with wool and hides and skins, account for 75 percent of Argentina's exports, and not one of them is included among that country's imports, nor would be included even if the duties were substantially lowered.

The total duties payable on the hypothetical cargo of \$100,000,000 when theoretically imported into Argentina would amount to over \$47,000,000. Of this the theoretical duties on hides and skins alone account for over \$4,000,000 and, together with those on farm products and foods, for over \$24,000,000. In other words, over half of the

theoretical duty charge payable upon importation into Argentina of the hypothetical cargo is to be paid on goods that would not by any stretch of the imagination ever be imported into Argentina.

In the actual calculation of the average duties, serious errors result from the inclusion of purely revenue duties on imports of goods of a type not produced in the home country. These are made still worse, in connection with the comparison of United States rates with those of other countries, by reason of the fact that United States import excise taxes on certain important commodities of a type which we, ourselves, produce, are omitted. If, as applied to the relative heights of United States and United Kingdom duties, we make the necessary corrections to cover these two types of error but otherwise apply the same methods used in the pamphlet, we arrive at results that are diametrically opposed to those in the report, as is shown in the following tabulation:

Duties collectible on theoretical cargo

	Tariff League pamphlet		As adjusted	
	Ad valorem equivalent	Relatives	Ad valorem equivalent	Relatives
	<i>Percent</i>		<i>Percent</i>	
United States.....	43.1	100.0	57.0	100.0
United Kingdom.....	51.0	118.3	28.7	50.4

The adjusted figures shown in the foregoing table are not, of course, to be taken as accurate measurements of the relative heights of the tariff walls in the two countries. For, as previously stated, there is no adequate way to reduce such a comparison to mathematical measurement. What the figures do indicate is how little reliance can be placed on conclusions resting upon such a study as this.

Even if we were to assume, for the sake of the argument, that the general impression given by the pamphlet is correct, namely, that foreign countries have more restrictive controls (including such non-tariff trade barriers as quotas and exchange controls, which are omitted from the Tariff League study) than does the United States, what stronger argument could there then be for continuing the trade-agreements program? It is precisely in order to induce other countries to relax some of their more unreasonable restrictions that this program has been carried on for the past 9 years. What the trade-agreements policy seeks to do is to stimulate two-way foreign trade.

CRITICISMS OF SPECIFIC CONCESSIONS—RUBBER

Opponents of the program have painstakingly combed the record of concessions granted by the United States in the 31 agreements concluded to date, and as a result thereof have found remarkably few things about which to complain.

A main preoccupation of certain minority members of the committee in the recent hearings centered on the fact that rubber, which has always been on our free list, was bound free of duty in several trade

agreements. Let us examine this complaint, which boils down to this: The United States Government is now investing some six or seven hundred million dollars in synthetic-rubber plants, and it is asserted that this investment, and work opportunities for thousands of our citizens, are seriously threatened, all because natural rubber has been bound free of duty in certain trade agreements; and it is sought to make a special point of the binding in the agreement with Peru, signed on May 7, 1942, some months after Pearl Harbor.

Natural rubber was first bound on the free list in the trade agreement with Brazil, signed on February 2, 1935.

The Peruvian agreement was signed when the present program for all-purpose synthetic rubber was still largely in the planning stage, and our national rubber program included financing increased output of both wild and plantation rubber in the other American republics, including Peru, and elsewhere. By November 1942, rubber-production agreements had been concluded with practically all Latin-American countries able to supply rubber, to terminate at the end of 1946 or more than 2 years after the initial period of the Peruvian trade agreement. The commitment in the trade agreement to continue the free-list binding of rubber was wholly in line with our program to encourage the production of as much natural rubber as possible for our vital war needs. The essential point at that time was to stimulate the production of rubber of all kinds. Since the trade agreement with Peru was concluded for an initial period of only 2 years, the duty-free status of natural rubber was not fixed for a lengthy or indefinite period without the possibility of change, if such change might ever be necessary or desirable. It should also be noted that no opposition was expressed by anyone to the binding of rubber on the free list at the time the Peruvian agreement was negotiated.

Those who now criticize the free-list binding of rubber in trade agreements assume that the synthetic rubber industry in this country will necessarily require a tariff prop after the war. No evidence has been advanced to support this assumption, and no such evidence can be produced, because the relative post-war efficiency of the synthetic industry cannot be determined now. In short, the post-war situation cannot and should not be prejudged at this time. If there is any evidence available regarding the future competitive strength of the synthetic-rubber industry, it is that costs of production have been declining rapidly and continuously, and that the synthetic product is better than natural rubber for many uses. The peacetime synthetic-rubber industry which had developed in the pre-war period made no request for tariff protection against natural rubber and expanded without such protection or any other form of governmental assistance. Factors responsible for the unassisted pre-war expansion of that industry should be stronger in the post-war period. Furthermore, no one knows now how soon it may be after the war, if ever, before natural rubber is again available in quantities comparable to those before the war.

The need for assisting the synthetic-rubber industry after the war and the nature and extent of such assistance, if any is needed, should be determined only after the close of the war, when the question may possibly become pertinent in the light of the facts at that time.

The past binding of crude rubber on the free list in various trade agreements was justified and in fact served our vital national interest. Such binding will not hinder the giving of governmental assistance in some appropriate form when and if such assistance should in the future and in the light of the then existing situation appear necessary and desirable in our national interest.

SHOULD WE ABANDON THE MOST-FAVORED-NATION POLICY?

In its 1940 report on extension of the Trade Agreements Act this committee made the following explanatory comment on this question:

Probably there is no phase of our foreign commercial relations respecting which there has been more confusion and misunderstanding than the policy of most-favored-nation treatment. Nor is there any phase of our commercial policy that rests on a sounder basis once it is clearly understood.

Under the most-favored-nation principle as laid down in the Trade Agreements Act, a reduction in a duty on a product of one country is immediately extended to the like product of every other country which has not been found to be discriminating against our commerce. This principle which protects our trade against discriminatory foreign tariff treatment has also been adapted to other types of trade control, such as quotas and exchange control. For example, under the provisions included in our agreements, if the other country subsequently enlarges a quota in favor of a third country, a proportionate increase must be made in favor of importations from the United States.

The most-favored-nation principle has as its purpose the serving of the commercial interests of the United States by eliminating and guarding against discriminatory measures which would otherwise prevent our exporters from competing on a footing of equality in the markets of the world. The evidence before the committee has shown the manner in which the most-favored-nation policy operates to protect the interests of our commerce and that it has served these interests well.

The inclusion of the most-favored-nation clause in our trade agreements prevents the concessions we obtain from a country from being nullified by that country subsequently granting greater benefits to our competitors and withholding them from us. Elementary business sense requires that this obvious precaution be taken. Moreover, the clause immediately obtains for us the lower rates previously applied by that country to imports from our competitors and also guarantees that we will get the advantage of any lower rates or other benefits which result from negotiations conducted by that country with other countries in the future. The testimony shows that under this clause we have actually obtained hundreds of duty concessions in addition to those specified in the agreements.

But the most-favored-nation policy does even more than this. It serves to prevent discriminations against our exporters even in the countries with which trade agreements have not been negotiated. By extending the benefit of the reductions in duty which we make in our trade agreements to all countries which accord our commerce nondiscriminatory treatment, we are in a position to claim in return the benefits of duty reductions and other concessions which they make in their trade agreements. In this way we obtain equality of treatment for our exporters throughout the world to an extent which would not be possible under any other policy.

No one now seems to question seriously the desirability of including a reciprocal pledge of most-favored-nation treatment in agreements with particular countries. However, there are still those who argue that third nations should not receive the benefit of duty reductions made by the United States. It is asserted that this means giving something for nothing. This assertion is not true. Under the trade-agreements program the policy is to extend duty reductions under agreements to all countries which on their part do not discriminate against the United States, i. e., minimum United States tariffs are

extended to countries which in turn extend their minimum tariff rates to this country. If the duty reductions made in trade agreements were not extended to a third country, it is improbable that the country in question would extend its minimum tariffs to the United States out of the goodness of its heart. The Congress has repeatedly insisted that the United States demand unconditional equality of treatment from all other countries and has empowered the Executive, if necessary, to impose penalty duties on goods of countries that refuse to extend equality of tariff treatment to this country. Typical instances of this are the provisions of the Tariff Act of 1909, section 317 of the Tariff Act of 1922, and section 338 of the Tariff Act of 1930. If the United States is to insist on equal treatment, it must accord the same treatment to others.

It has been asserted that, notwithstanding the existence of trade agreements and the power to suspend the application of trade-agreement rates of duty to products of countries found to be discriminating against American trade, certain countries have continued to discriminate against the United States.

As the committee said in its 1940 report :

It is clear to the committee * * * that the extent of the foreign discriminations against our commerce is greatly exaggerated by opponents of the trade-agreements program, although it is also clear that some discrimination does exist. This raises the * * * question * * * What is the best means of combating discriminations by foreign countries?

The objective of the most-favored-nation policy is to bring about the removal of discriminations. It is not, of course, 100 percent effective in attaining this end; indeed, few national policies ever are effective to that degree. But surely it is not reasonable to suppose that we can rid the world of discriminations by abandoning the effort. The present policy has as its object the maintenance and creation of conditions under which our exporters can compete in the markets of the world on a footing of equality. If we abandon this policy nothing is more certain than that the discriminations they would have to face would be vastly more extensive than at present.

In addition to the practical dollars-and-cents value of the most-favored-nation policy, it represents the only sound basis for orderly and amicable international relations. It is the antithesis of the policy of discrimination which leads to retaliation, trade wars, and general anarchy in international commercial relations. Equality of treatment has been the basic policy followed by this country since it was enjoined upon us by President Washington. It has not been, and should not be, a subject of partisan controversy. It has been advocated and applied by Republican as well as Democratic administrations. For example, in 1924, the Honorable Charles E. Hughes, then Secretary of State, stated :

"The time has come for demanding that conditions of commercial competition be placed upon a basis which will both assure our own interests and contribute to the peace of the world by eliminating unnecessary economic contentions. As we seek pledges from other foreign countries that they will refrain from practicing discrimination, we must be ready to give such pledges, and history has shown that these pledges can be made adequate only in terms of unconditional most-favored-nation treatment."

The Republican platform of 1932 reaffirmed this policy in the following words :
 "The historic American policy known as the most-favored-nation principle has been our guiding program; and we believe that policy to be the only one consistent with a full development of international trade, the only one suitable for a country having as wide and diverse a commerce as America, and the one most appropriate for us in view of the great variety of our industrial, agricultural, and mineral products and the traditions of our people."

A conclusive answer to this question of foreign discriminations in relation to the trade-agreements program and use of the suspension power is contained in the following quotation from a letter dated

April 12, 1943, from the Secretary of State to Congressman Gearhart, which appears in the record of the hearings (pp. 42-43, unrevised committee print):

You inquire whether other nations which enter into trade agreements among themselves extend to the United States the benefits provided for in such agreements. The technical answer is that, with certain limited exceptions generally recognized in connection with most-favored-nation treaties or agreements, all major trading nations of the world other than the Axis Powers, and most of the less-important trading countries, do extend to like products of the United States the treatment provided for on specified products in their trade agreements with other countries. Many of these specified products are of interest to American producers and exporters and the assurances thus afforded them of being able to continue to sell in foreign markets without the handicap of tariff preferences in favor of competitors is of inestimable value.

The broader, practical answer—and the reciprocal-trade-agreements program is based on practical considerations—is that in authorizing the President to suspend the application of trade-agreement concessions with respect to imports from countries found to be discriminating against American trade, Congress had a practical object in view. This object is to bring about the greatest possible expansion of the commerce of the United States. In administering this provision the executive branch is not dealing with questions of abstract theory. It must concern itself with the practical question of the extent to which the use of the suspension power will serve the practical end in view.

During the highly unsettled conditions which have existed in the field of international trade and finance, there have been instances in which countries have discriminated against our trade because of factors largely beyond their control. For example, a country unable to acquire sufficient dollars through sales of its products in the United States market and unable to convert its holdings in the currencies of other countries into dollars because these other countries require such holdings to be spent for their goods, may be forced to utilize such blocked funds for purchases in the blocking countries while maintaining restrictions on imports from the United States in order to make the most of its limited supply of dollars.

In such cases the object that Congress had in view would not be served by denying the benefits of our trade-agreement rates to a country that finds itself in the unfortunate position I have indicated. Indeed, to do so would tend to reduce that country's supply of dollars still further and thus actually impair its ability to grant our commerce more favorable treatment. I take it that you would not advocate the application of the suspension power where circumstances are such that it would impair rather than promote the practical end in view.

The trade-agreements program, based on the most-favored-nation principle, coupled with a sensible and practical use of the suspension power, has, without any question whatever, afforded us immunity from discriminatory treatment abroad, and promoted the commerce of the United States to a degree not conceivably attainable if we ourselves had adopted a discriminatory policy.

During the hearings the assertion was frequently made that concessions have been granted to countries which were not the principal suppliers of imports, and that, therefore, through the operation of the most-favored-nation clause, important suppliers have received benefits which cost them nothing. A portion of a Tariff Commission memorandum entitled, "Relative Positions of Agreement Countries as Suppliers of Certain Imports in 1939," which was inserted into the record (p. 13, of unrevised committee print), was used to support such an allegation, when actually the complete text, including a table, which was not inserted in the record, makes it clear that the "principal supplier" policy has been closely adhered to in making concessions.

The main table in the Tariff Commission memorandum shows that with regard to the 160 largest concession items (those valued at \$500,000 or more each on which duty reductions were in effect, and which together in 1939 accounted for nearly \$474,000,000, or about 90 per-

cent, of all imports on which duty reductions had been made), agreement countries to which the concessions were granted were the principal suppliers of 130 items, covering \$430,000,000 of imports, or 91 percent of the total.

The table in the Tariff Commission memorandum, referred to above, is as follows:

Classification of commodities on which reduced rates of duty were in effect on Feb. 1, 1943, according to the rank of the agreement country as supplier of imports: Data for 160 commodities imports of which were valued at \$500,000 or more each in 1939

Classification of imports according to value	Rank of agreement country as supplier ¹					
	1	2	3	Other	None ²	Total
	Number of commodities					
\$1,000,000 or more each.....	67	4	2	3	3	79
\$500,000 or more but less than \$1,000,000 each.....	63	9	2	3	4	81
Total.....	130	13	4	6	7	160
	Value of imports from all countries (1,000 dollars) ¹					
\$1,000,000 or more.....	383,758	9,104	2,968	11,480	8,265	415,573
\$500,000 or more but less than \$1,000,000 each.....	45,711	6,436	1,183	2,038	2,907	58,275
Total.....	429,469	15,540	4,149	13,518	11,172	473,848
	Percent of total value					
\$1,000,000 or more.....	92.3	2.2	0.7	2.8	2.0	100.0
\$500,000 or more but less than \$1,000,000 each.....	78.5	11.0	2.0	3.5	5.0	100.0
Total.....	90.6	3.3	.9	2.8	2.4	100.0

¹ Imports from Germany and those free of duty under special provisions are not included.

² No imports were received from the agreement country in 1939.

Source: U. S. Tariff Commission, based on official import statistics of the Department of Commerce.

In relatively few instances where it was expected that the agreement country would become the principal supplier did it turn out otherwise. About 4 percent of the imports in 1939 came from agreement countries which ranked as second or third suppliers. In a few cases only did the agreement countries supply negligible imports or none at all of certain commodities on which they had been granted concessions. However, there are good explanations for these cases.

For example, reductions in the excise tax on imports of residual fuel oil and topped crude oil were made in the agreements with Venezuela and Mexico, but no imports of these commodities were recorded as coming from Venezuela in 1939. The Netherlands West Indies supplied the bulk of the imports, but most if not all of these imports were produced from crude oil that originated in Venezuela. Reductions in duty on imports of canned tomatoes were granted in the agreement with

Argentina in the expectation that, with Italy shut off by war, Argentina would be able to take her place as a supplier, and it is provided in the agreement that on termination of hostilities the concessions may be withdrawn by the United States.

IS THE PROCEDURE SOUND?

On the previous three occasions when the Trade Agreements Act was under consideration by the committee those who were anxious to kill off the trade-agreements program sought to accomplish their purpose by appealing for support to make changes in the basic procedure under which the agreements are made. On these past occasions the principal argument advanced in support of this strategic attack was that changes were necessary in order to make the act constitutional. Such proposed changes usually took the form of amendments which would require that individual trade agreements should not become effective unless ratified by a two-thirds vote in the Senate or approved by majority action of both Houses of the Congress. Other less drastic changes in the procedure have also been proposed before, but, regardless of the nature of the particular change which is proposed, the uncontroverted fact is that, almost without exception, these changes were, and again today are, advanced by those persons who are interested in killing off or effectively hampering the execution of the trade-agreements policy.

No person can have the slightest objection to such a position being taken by those who are opposed to the basic policy of the program. In turn, the opponents of the policy of effective international economic cooperation can have no objection when supporters of the policy insist that the execution of the policy should not be hampered or jeopardized by unnecessary changes in a procedure which has proven satisfactory and workable over the past 9 years. Stripped to the bone, this is the essential issue underlying the various proposals which have been offered for changing the procedure, and in particular for submitting individual agreements to some form of congressional approval or veto.

The tough and unyielding fact which stands in the way of any such changes is that the results of the past 9 years of operation under the present procedure have been satisfactory to an overwhelming majority of the people of this country. On three occasions now this committee has conducted lengthy and full public hearings on the operations of the act, and unless we are to ignore the burden of the testimony at these hearings as well as the extraordinary degree of unanimity which has been and is being daily manifested in the public press in support of this program, the committee has no alternative than to conclude that changes in the program are neither considered necessary nor desirable by the vast majority of the people. Under such circumstances, and particularly at this critical juncture in our affairs, changes in a matter vitally affecting the conduct of our foreign affairs should not be made merely for the sake of making changes, or fancied partisan advantage.

Not only has the record of 9 years' operations not shown any need for such changes, but it seems to be generally conceded today that

the constitutional objections, heretofore urged in some quarters, are no longer capable of sustaining the argument in favor of change. This latter conclusion is borne out both by the fact that the constitutional objections were largely noticeable by their general absence at the recent hearings and by the fact that the proposed amendment for some form of congressional veto of individual agreements, which is now urged by opponents of the program, has no bearing whatsoever on any constitutionality issue.

Although the committee feels strongly, as indicated elsewhere in this report, that there are impelling considerations today which make any limiting amendments especially undesirable at this time, the committee nevertheless desires to deal fully with this particular proposed change on both its theoretical and practical aspects.

Legal Principles Involved.

The Trade Agreements Act is based on a long-established constitutional principle whereby the Congress lays down the policy with respect to regulation of this aspect of our foreign commerce which it desires to have executed pursuant to certain limitations and standards specified in the basic enabling legislation. An entirely different constitutional principle and procedure would be involved if Congress had not legislated on the matter but the Executive had proceeded on his own, as he might, to negotiate international agreements or treaties which he subsequently undertook to submit for the approval of the Congress or two-thirds of the Senate as the case might be. Both approaches are theoretically possible, but the important fact is that they are different theories of operation and our past experience has shown that in the adjustment of international trade barriers the former is practical and the latter is not.

The submission of the individual agreements to the Congress under a veto provision could add nothing to the constitutional validity of the Trade Agreements Act or the agreements themselves. Under the Trade Agreements Act changes in our tariff rates are made, so far as our domestic law is concerned, by the President's proclamation under the authority of the Trade Agreements Act. Changes in the tariff rates are not made by the agreements, per se. The agreements are merely the means provided in the act for getting foreign concessions in return for our concessions. The agreements are also the mechanism through which, pursuant to the bargaining standard of the act, within prescribed limitations, our rates are fixed. Since the changes in our tariff rates, i. e. our domestic law, are made by the President's proclamation pursuant to authority granted by the Congress in the Trade Agreements Act there is no constitutional necessity for the agreements to be submitted subsequently to the Congress for approval or review. In this respect the principle underlying the trade-agreements procedure is entirely different from the theory of the treaty procedure under which the Executive, without any prior authorization from Congress and without any limitations, negotiates on the basis of what he thinks would be advisable and then submits the treaty to the Senate for its approval. Under the latter procedure the Constitution provides that the treaty itself, when approved by two-thirds of the Senate, becomes the supreme law of the land.

Trade agreements, on the other hand, of themselves, never become the supreme law of the land but the rates established in the trade agreement become domestic law solely by reason of the President's proclamation based on the authority of the Trade Agreements Act. In this sense the legal basis of tariff changes under the Trade Agreements Act is precisely the same as changes made in the tariff by Presidential proclamation pursuant to authority granted the President under the "flexible provisions" of section 315 of the Tariff Act of 1922 and section 336 of the Tariff Act of 1930. It is precisely the same procedural principle as that on which the Interstate Commerce Commission is authorized by Congress to fix fair and reasonable railroad rates.

The rates fixed by the President under the flexible tariff provisions and by the Interstate Commerce Commission are not brought back to the Congress for approval or veto review. It would be theoretically possible to bring those determinations back to the Congress for review, but it has not been done for the same practical reasons that the trade-agreement rates are not brought back.

Straight thinking requires that the treaty power issue should not be permitted to confuse this question. That is an entirely separate issue which has no relation whatsoever to proposals for congressional approval or veto of individual trade agreements. Such proposals do not touch the treaty issue since treaties, as such, require two-thirds approval by the Senate.

Likewise the congressional veto proposal has no bearing whatsoever on the argument, sometimes advanced in the past, that the Trade Agreements Act involved an unconstitutional delegation of legislative power. If the Trade Agreements Act or any other piece of congressional legislation involved an improper delegation of legislative powers, Congress could not cure the defect in the legislation by merely providing that the unconstitutional action should become effective if Congress did not act to reject it within a specified period. Nonaction by the Congress cannot cure improper action.

Accordingly, it is fundamental to any consideration of a congressional veto amendment that all constitutionality arguments be put aside as entirely irrelevant. Any such proposed change must stand or fall on its practical merits alone.

Before passing to the practical considerations, it is well to remember that the soundness of the basic procedure of the Trade Agreements Act is not based on mere reasoning. There are many congressional and judicial precedents which support this procedure. In the field of tariff changes, the same theory constituted the basis of section 3 of the Tariff Act of 1890 and section 3 of the Tariff Act of 1897, and also of the flexible provisions of the Tariff Acts of 1922 and 1930. The Interstate Commerce Act provides a square precedent in another rate-making field. All of these have been upheld by the courts.

Practical considerations.

The practical question is what mechanism will be most effective in carrying out a tariff-bargaining program in the national interest. Our entire history in dealing with the tariff has shown that it is essentially a local issue, and being a local issue it is particularly susceptible to log-rolling tactics in the Congress. No one has spoken more eloquently or

persuasively on this central consideration than Members of Congress who have had experience in framing tariff acts. See in particular the remarks of Senator Capper in the 1934 debates in the Senate on the Trade Agreements Act (78th Congressional Record 10379) when he said:

* * * our experience in writing tariff legislation, particularly in the post-war era, has been discouraging. Trading between groups and sections is inevitable. Log-rolling is inevitable, and in its most pernicious form. We do not write a national tariff law. We jam together, through various unholy alliances and combinations, a potpourri or hodgepodge of section and local tariff rates, which often add to our troubles and increase world misery. For myself, I see no reason to believe that another attempt would result in a more happy ending.

It was largely this basic difficulty in getting impartial consideration for particular tariff rates in the Congress that led the Congress in 1922 to establish the flexible tariff provisions whereby the President was authorized to adjust the rates within a 50-percent-limitation on the basis of recommendations by the Tariff Commission. It is not the purpose of this part of this report to deal with the necessity for a policy of tariff bargaining under existing conditions but what should be noted is that the tariff bargaining policy of the Trade Agreements Act is carried out domestically through essentially the same basic procedure as was provided by the Congress for unilateral adjustments of the tariff through Executive action under the flexible tariff provisions.

Our past experience with reciprocity treaties as contrasted with reciprocity agreements which did not require congressional approval or Senate ratification shows that there is no basis for believing that anything can be done under a procedure whereby particular tariff changes are brought back to the Congress for approval. In all our history only three or four tariff reciprocity treaties have been made effective despite the fact that some twenty-five such treaties have been negotiated and submitted to the Congress or the Senate for approval.

The trade-agreements procedure, on the other hand, has been proven to be workable both in the past and during the last 9 years. It has not only been proven to be a workable procedure, but the outstanding fact is that beneficial results have been achieved without any of the dire dislocations that have always been feared by the protected interests from any reduction of their protection. In the 1943 hearings, as in the hearings in 1940, 1937, and 1934, the principal complaint on the part of protected interests is not that they have been injured through the operation of the program, but rather that they may be injured in the future. On the basis of such a record, it would seem that there is not only no occasion for changing the procedure, but that it would be exceedingly unwise at this critical juncture in our national affairs to make changes in the procedure which at best would be much more disturbing to many more people in this country than are the fears for the future which are felt by the few protected interests who continue to oppose the program.

Beyond this it is clearly apparent that we have a tremendous stake in the policies which other nations pursue in the regulation of foreign commerce and as a cold-blooded practical matter we cannot escape the fact that the policies which the other nations pursue will be largely based on their estimate of our policy and our ability to make the policy effective. These other nations know, even better

than we ourselves, that we have never been able to make our reciprocity policies effective under a procedure whereby individual treaties or agreements are submitted to the Senate or Congress for review, while, on the other hand, they know that the trade-agreements procedure has been effective.

The reply is immediately made by opponents of the trade-agreements program that those countries themselves submit the agreements to their legislative bodies and that we should do no less, and that they should expect no less. This argument will be analyzed hereafter. Again let us remember that, aside from the reasons for it, the fact is that none of our trade agreements under this act have failed for want of legislative approval in the other countries concerned and this has been our general experience under the agreements procedure in the past.

So long as the Congress prescribes definite limitations on the scope of the delegated authority and reviews the administration of the act every 3 years, it is unnecessary and illogical to submit individual agreements for congressional review.

There is a final factor which weighs very heavily against changing the existing procedure in such a way as to provide for either affirmative approval or congressional veto of individual agreements. Under any veto or approval formula unfavorable action by the Congress on an agreement would of necessity be based on untested fears rather than upon proven dissatisfaction with the terms of the agreement. Likewise, as a practical matter, congressional disapproval of an agreement under either the veto or affirmative approval procedure would result in the loss of the entire agreement rather than, as reasonable men interested in the Nation's welfare would desire, the mere correction of any particular difficulty. Any agreement must be negotiated as a whole, and if it were practical, as it almost certainly would not be, for the Congress to single out any particular concession which it disapproved, the other government in question would either refuse to accept the altered agreement or it would insist on making corresponding changes in its concessions. If a new agreement could be patched up, which is highly doubtful, the new agreement in turn would have to be submitted for approval or rejection with no assurance on either side that it would be acceptable. It takes nothing more than fair-mindedness to see that in a matter as complex as a trade agreement where hundreds or thousands of technical items may be involved such uncertainties might well be interminable and make it utterly impossible to carry out the policy established by the Congress.

Is it not much more sensible to proceed under the proven existing mechanism which permits the results of the policy and of the agreements negotiated under it to be tested and reviewed in the light of actual operation?

Comparison with other countries.

Opponents of the program have sought to make much of the fact that most of the trade agreements have been submitted by the other countries to their legislatures. From this it is argued both (a) that since they do it we should do it, and (b) that since they do it it is a practical procedure for us as well. Before analyzing the facts and the reasons behind this argument it is well to remember that there are two basic answers to this type of argument. First, no one, and certainly

least of all the opponents of the trade-agreements program, is willing to do something merely because someone else does it. In other words, in this as in all matters we are seeking the best thing and the best way for us. That is the real question. Secondly, the fact that others do it and do it successfully is one thing. The fact that we have tried it and have not found it workable in the past for handling the adjustment of our tariffs is another thing. All that history teaches us on this point is that different governments can get the same result in different ways. The important thing is to attempt to understand and why this is true.

Of the 26 countries with whom agreements had been made up to April 1, 1943, 5 of them, namely, Belgium, Luxemburg, Cuba, Ecuador, and Peru, entered into trade agreements with us without submitting the agreements to subsequent legislative action. The remaining 21 countries did submit the agreements to their legislatures but of these 21, 9 countries put the agreements into provisional effect without such approval and 12 put the agreements into effect after legislative action.

The most important reason behind the difference in the procedure which is followed by us under the Trade Agreements Act and the procedure followed by those other countries which have submitted the agreements to legislative action, is found in the difference between our governmental structure and practice and the governmental set-up and practices of these countries. Many of these countries follow the parliamentary form of government under which the executive represents the controlling party in the parliament and under this form of government the relationship between the executive and the legislature is fundamentally different from the relationship of our Executive to the Congress. Under our Constitution and our governmental practice the Executive and the Congress are independent, while under the parliamentary form of government the executive only remains in power so long as it has a working majority in the parliament and accordingly legislative approval of the action of the executive under such circumstances follows more or less as a matter of course, i. e., in such situations the executive as a practical matter speaks for the legislative body in negotiating an agreement. We are not interested in changing our form of government to conform to the parliamentary form of government, but we are all interested in finding a procedure within our form of government which permits our Government to be no less effective than parliamentary government in dealing with the complex problem of adjusting international trade barriers on a mutually satisfactory basis. We are interested in this in our own self-interest because if we do not have such an effective procedure we are simply going to be left in the lurch and find our Government unable effectively to protect and foster the vital interests of this country in this area of international affairs.

The significant fact which has been overlooked in the heat of this argument is that the present Trade Agreements Act procedure is designed to establish precisely the same workable relationship in these matters between our Congress and our Executive as the parliamentary form of government, of itself, provides in the case of the legislature and the executive in countries which have that form of government. In other words, in the parliamentary form of government, since the executive comes from and is responsible to the legislature it can act with practical assurance that it knows the policy of the majority of the

legislature and can speak for it. Under our form of government, the Trade Agreements Act itself bridges the gap which would otherwise exist between the legislature and the Executive since through the Trade Agreements Act the legislature lays down *as a condition precedent to negotiations* the general policies and the limitations and general standards which are to be adhered to by the Executive in carrying out the mandate of the Congress. In this way the same substantive tie-up is achieved in these matters under our form of government between the legislature and the Executive as exists in all matters between the executive and legislature under the parliamentary form of government.

As a matter of practical politics, the executive under the parliamentary form of government can and does submit the agreements made by it with confidence that they will not be rejected since the rejection of an agreement under those circumstances would ordinarily be tantamount to throwing out the government and the party in power. On the other hand, as any fair-minded student of American politics well knows, the same is not likely to be, and, in fact, cannot be the case here. With us the action of the Executive in negotiating a trade agreement could be rejected without any immediate internal political shift in the Government and the only result is that we are left in a ridiculous and ineffectual situation with the two independent branches of the Government going different ways to the net disadvantage of the Nation as a whole.

No responsible citizen of either party should want to bring about this situation, particularly under the critical condition under which our foreign affairs must be carried out today. On the other hand, no responsible citizen, whether he be a member of the legislative or the executive branch of this Government, wants to solve the problem by merely turning over to the Executive the entire responsibility for these matters. As stated above, the essential merit of the Trade Agreements Act is that it affords a procedure whereby effective results can be achieved by the Executive working within and pursuant to the limitations and policies prescribed beforehand by the Congress in the Trade Agreements Act and the substantive control of the legislature is further assured by the provision for periodic reviews every 3 years of the actual operations of the Executive under the act. Even within the periodic reviews every 3 years the Executive is perforce assisted and guided by the views of interested private parties who make their views known at public hearings on all matters which are to come under consideration in the negotiation of individual agreements and by the views which are continuously expressed on the operation of particular agreements in the press, in the Congress, and by interested parties.

There is another basic distinction which is not brought out in a superficial comparison of our procedure under the Trade Agreements Act and the procedure followed by many of the other governments. Many of the countries with whom we have negotiated agreements, particularly most of the Latin-American countries, have made no legislative provision for a tariff bargaining procedure such as that provided for in the Trade Agreements Act. These countries, therefore, must carry out their trade-agreement negotiations under their general treaty-making procedures and under that procedure they, of course, submit the agreement for legislative action. If it were practical for

us to carry out trade-agreement negotiations under our treaty procedure, as experience clearly shows it is not, we would, of course, do precisely the same thing. Accordingly, it is only fair and honest to recognize that we are comparing two entirely different procedures when we compare the Trade Agreements Act procedure under which the Executive negotiates agreements pursuant to and within the policies and procedures previously prescribed by the Congress, and a treaty-making procedure under which the Executive negotiates an agreement without regard to any policies or limitations previously prescribed by the legislature. Both procedures get the same substantive results, but they are different procedures and one cannot be evaluated or compared in terms of the other.

An examination of the information contained in the United States Tariff Commission's publication entitled "Regulation of Imports by Executive Action in Countries With Independent Tariff Jurisdiction," 1941, shows that there is *not one country* of the 26 countries with whom we had negotiated trade agreements up to April 1, 1943, where the existing form of government, political situation, and governmental procedure can be compared with the situation in this country for the purpose of demonstrating that other countries require the submission of trade agreements to legislative action under circumstances which are in any way comparable to ours. All that is clear is that each of these countries within the framework of their particular governmental organization and political set-up has a procedure whereby their governments are enabled to take effective action in negotiating tariff-bargaining agreements.

A careful analysis and comparison of the procedures existing in these countries either where the parliamentary form of government prevails or the negotiations are carried out under a general treaty-making procedure, shows clearly that the Trade Agreements Act does not compare unfavorably in terms of effective democratic procedure with the various procedures adopted by the other countries. In fact, it is apparent from this point of view that the Trade Agreements Act procedure with its prescribed legislative policies and limitations, and the periodic reviews every 3 years by the legislature, compares more than favorably with any of the other procedures.

If comparison be desired, the question may fairly be asked: Is it more democratic to have trade agreements made by the Executive in adherence to previously prescribed legislative policies and limitations under which he must render a full accounting of his operations to the legislature every 3 years, than in the alternative to have the Executive negotiate freely with merely perfunctory subsequent parliamentary approval of the agreements? In truth, this is the essence of the practical political choice which faces any government if it desires to be potent rather than impotent, effective rather than ineffective, in the regulation and adjustment of international trade barriers today.

Conclusion on this aspect.

The committee has undertaken to give all opposition objections and proposals the most careful and open-minded consideration. If any need for change in the present procedure had been established the committee would have felt obligated to give most serious consideration to altering the terms of this act. The facts are, however, that no such need has been established; that the results of the past 9 years have

shown the existing procedure to be workable; that the present procedure is grounded not only in experience but is also based on sound constitutional principles; that past experience has shown other methods to be unworkable in dealing with these matters; and that there is nothing in our procedure which compares unfavorably from the standpoint of democratic processes or otherwise with the various procedures followed by other governments under different forms of government and different circumstances than ours.

Under these circumstances and in the light of the most compelling reasons which exist today for not creating the slightest basis for doubt concerning our determination or ability to carry forward an effective policy of international economic cooperation, this committee is of the clear conviction that unnecessary and unproven alterations should not be made in the Trade Agreements Act. No other conclusion squares with both the record before us and the vital interests of this Nation today.

VI

THE CONCLUSIONS OF THE COMMITTEE

On the basis of the foregoing, and of the other testimony offered before it, and of its own consideration, the committee has concluded that:

First. It is desirable to continue in existence this tested and sound instrument of international cooperation, in the interest both of unity in the war effort, of a secure peace hereafter, and of American prosperity;

Second. It is desirable to make the vote as large and as bipartisan as possible, in order that our allies and the citizens of the United States may be assured that international cooperation in post-war reconstruction is not a party matter;

Third. It is desirable that the extension be in the form and for the term that has formerly been used, in order that no unnecessary doubts may be created.

The committee therefore recommends that the bill which the committee has reported pass without further amendment, and it bespeaks bipartisan support for this proposal.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman) :

Section 350 of the Tariff Act of 1930:

Sec. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches

of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (*including the operations of international cartels*) or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: *Provided*, That the duties payable on such an article shall in no case be increased or decreased by more than 50 per centum of the duties now payable thereon.

(c) As used in this section, the term "duties and other import restrictions" includes (1) rate and form of import duties and classification of articles, and (2) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports.

Section 2 (c) of act of June 12, 1934 :

[(c) The authority of the President to enter into foreign trade agreements under section 1 of this Act shall terminate on the expiration of three years from the date of the enactment of this Act.]

Joint resolution of March 1, 1937 :

[That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1937.]

Joint resolution of April 12, 1940 :

[That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1940.]

Section 1 of the joint resolution :

That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1943.