

**EXTENSION OF RECIPROCAL TRADE  
AGREEMENTS ACT**

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**HEARINGS**  
BEFORE THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
SEVENTY-EIGHTH CONGRESS  
FIRST SESSION  
ON

**H. J. Res. 111**

A JOINT RESOLUTION TO EXTEND THE AUTHORITY  
OF THE PRESIDENT UNDER SECTION 350 OF  
THE TARIFF ACT OF 1930, AS AMENDED

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**REVISED**

MAY 17, 18, 19, AND 22, 1943

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Printed for the use of the Committee on Finance



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1943

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## CONTENTS

Statement of—	Page
Adams, Francis A., New York, N. Y.....	64
Brenckman, Frederic A., the National Grange.....	65
Holman, Charles W., secretary, National Cooperative Milk Producers Federation.....	62
Hull, Hon. Cordell, Secretary of State.....	1
Marshall, F. R., secretary, National Wool Growers Association.....	95
O'Mahoney, Hon. Joseph C., United States Senator from Wyoming..	100
Sayre, Francis B., special assistant to Secretary of State.....	20
Woll, Matthew, vice president, American Federation of Labor.....	71
<b>Briefs, letters, and statements submitted to the committee:</b>	
Besse, Arthur, president, National Association of Wool Manufac- turers, letter and brief from.....	120
Cenerazzo, Walter W., president, Waltham Watch Workers Union No. 72, brief submitted by.....	125
Cook, Harry H., president, American Flint Glass Workers' Union, brief submitted by.....	131
Conover, Julian D., secretary, American Mining Congress, statement submitted by.....	133
Duffy, James M., president, National Brotherhood of Operative Potters, statement by.....	136
Gsell, Roland, president, American Watch Assemblers' Association, Inc., letters from.....	140
Evertsen, W. F., secretary, Wool Hat Manufacturers Association of America, statement by.....	141
Johnston, Eric A., president, Chamber of Commerce of the United States, letter from.....	118
Mara, John J., president, Boot and Shoe Workers Union, statement by.....	146
Linder, Tom., commissioner of agriculture of the State of Georgia, telegram from.....	116
Wilkinson, Thomas E., acting secretary-treasurer, Massachusetts State Federation of Labor, letter from.....	119



# EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

MONDAY, MAY 17, 1943

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to notice, at 10:30 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

The CHAIRMAN. The committee will please come to order.

We have before us this morning House Joint Resolution 111, to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended.

The Secretary of State is with us.

We will be glad to have such general statement as you wish to make, Mr. Secretary, and also hear from such other members of the Department as are here. Dr. Sayre is here, I believe, and others.

When the Secretary has finished his statement, gentlemen, I am sure he will be glad to answer any questions.

Do you prefer not to be interrupted, Mr. Secretary?

Secretary HULL. Of course, I always leave that with the committee. I think it expedites the matter all around, however, if I might conclude the brief general statement, first.

The CHAIRMAN. You may do so, then; and any questions will come after the brief statement that you wish to submit first.

## STATEMENT OF HON. CORDELL HULL, SECRETARY OF STATE

Secretary HULL. Mr. Chairman and members of the committee, I always count it a real privilege to come here and exchange such ideas and information as I may have with you. By this time, it should be crystal clear to each and every one of us that during the interval between the two wars there were committed some of the most colossal blunders in the experience of the human race. Otherwise, the world would not be in its present critical position.

There never was a time, therefore, when it was more necessary for every one of us to examine and reexamine the nature and causes of mankind's tragic failure in the last two decades to build an enduring structure of law, peace, and prosperity. None of us, who prizes freedom and who has at heart our national interest for the sake of which we are now pouring out blood and treasure, can permit any preconceived notion, however long and strongly held, to stand in the way of an understanding of the crushing blunders of recent years and of resolute effort to make sure that such blunders will not recur in the future.

This is not the occasion for a thorough and comprehensive examination of this all-important matter in its entirety. But this is an eminently fit occasion for a discussion of one of its essential phases—the problem of international economic cooperation as an indispensable basis both for peace and for prosperity.

For the past 9 years, the reciprocal trade agreements policy has been carried forward by cooperative action of the legislative and executive branches of the Government. It was originally enacted in 1934 and has been, since then, twice renewed. The House of Representatives, after exhaustive hearings and debate, has just voted, by an overwhelming nonpartisan majority, to renew it again.

In the course of the hearings held by the House Committee on Ways and Means I made a comprehensive statement of the essential considerations involved in the question which is before you. I shall not take your time to reiterate the points presented in it. But I should like, if I may, to dwell upon one or two of these points.

In making its decision at this time whether or not to renew the Trade Agreements Act, the Congress is faced with the first significant test of this country's basic attitude toward the future. The issue is whether or not our country is determined to cooperate with other peacefully inclined nations in economic matters.

After the last war we, as a nation, faced the same issue, and we have paid a terrible price for the fact that our answers to some of the questions raised by that issue were neither clear-cut nor consistent. Following the war of 1914–18 international economic relations soon fell into a pattern of rapidly narrowing nationalism. Recovery from the dislocations produced by that first world conflict imperatively required a revival and growth of international trade. Instead, the nations of the world surrounded themselves with ever-mounting barriers to an exchange of goods across their boundaries. To that destructive piling up of trade restrictions, our country contributed its full share.

During the decade of the twenties, the evil effects of trade restrictions were somewhat mitigated and disguised by the vast volume of international loans. Our country supplied billions of dollars in loans, which enabled us to maintain our exports on a relatively high level while we were putting immense obstacles in the path of our imports.

That unhealthy situation could not continue long. And it did not. By the end of the first post-war decade, the structure of international trade became disrupted, and the resultant dislocation served as a powerful contributory factor to the general economic collapse which descended on our country and the world.

In the first bitter days of that profound depression, our country and other countries could think of no expedient, except to intensify and extend the very course of narrow economic nationalism which was so largely responsible for the tragic plight in which we found ourselves. Trade barriers rose to unprecedented heights. The structure of currency and credit was shattered. Countries resorted to a multiplying variety of economic weapons, and all suffered in consequence.

Fortunately for us and for the world, this country, after more than a decade of noncooperation with others, at last had the vision and the courage to shift gears in the all-important field of commercial policy

and to move in the opposite direction. That was the historic significance of the original enactment of the trade-agreements policy.

In the trade-agreements program we had a flexible and easily adjustable instrument for dealing with the two great obstacles to a healthy development of mutually beneficial international trade. The first of those obstacles was the immense variety of restrictions on imports—excessive tariffs, quotas, exchange controls, and many others. The second was the use of these devices in a discriminatory manner. By means of trade agreements, we sought to eliminate or diminish these destructive barriers. The trade-agreement method enabled us to accomplish the reduction of trade barriers in other countries through a reciprocal reduction of some of our own tariff rates. It enabled us, by the use of the most-favored-nation principle, to press for an abandonment of discriminatory practices. Amid the growing deterioration of all international relationships during the years which preceded the outbreak of the present war, the trade-agreement program was the most important single support for the hope that the nations might find a way toward cooperative action for the establishment and maintenance of peaceful international relations.

As we face the future, the renewal now of the Trade Agreements Act will have perhaps an even greater historic significance than that of its original adoption.

Our people are fully aware of that fact. For months past, in Congress and throughout the country, there has been discussion of the post-war world and of what should be our part in it, a free give and take of views and ideas in the best American tradition. This is as it should be. Only in this way can public opinion crystallize and the Congress be enabled accurately to register that opinion. We must chart the general direction of our post-war course, begin to make decisions on policies, necessarily leaving until later the working out of details in the better knowledge we will then have of specific conditions. Public opinion has not yet crystallized in regard to some aspects of the extent and nature of our cooperation with other like-minded nations with a view to making the world, after this war, both fruitful and secure. But it has, I feel confident, overwhelmingly reached the conclusion that the minimum indication of our willingness to cooperate with others in the economic field to the mutual benefit of all would lie in the clean-cut extension of the trade-agreements program.

That program has served us well in the past 9 years. There has been an ample demonstration of its usefulness as an effective instrument for the promotion of mutually beneficial trade on a basis of fair dealing and nondiscrimination—the only possible basis of fruitful international cooperation in the economic field. It is thus a practical and tested method which the Congress has already endorsed twice since its original adoption, each time after an exhaustive appraisal of its results. The Congress is being asked, therefore, in making this first decision on post-war policies, not to commit the country to some new and untried experiment, but to reaffirm a proven program, sound in principle and in operation, and essential for a stable economic, political and peace structure in the post-war years.

We know from bitter experience that trade between countries is the main foundation for any and all economic dealings between peoples. It provides the goods they need, and furnishes employment for indus-

tries suited to each country. If it is discouraged by cloudy political skies and mistrust, or made impossible by national shortsightedness, there is no possible sound basis for any of the other economic or financial dealings between the countries.

Without substantial trade our shipping industry is certain to decline to small dimensions. Without substantial trade, any capital investment that we may undertake abroad would sooner or later end in disappointment and reproach. Without substantial trade there cannot be certainty or stability in the monetary relationships between countries. These will always be subject to disturbances and disputes. The prospects for maintaining a coordinated international monetary system would be dimmed. Without substantial international trade, the future value of gold is certain to be in doubt, for countries will not indefinitely accumulate gold supplies unless they can freely obtain goods therefor. International trade is thus the key to all our international economic relations—and a powerful factor in our domestic prosperity as well.

The trade-agreements program is the sole practicable method by which we can hope to restore our post-war foreign trade to a healthy basis. It is a method of trade regulation through which obstacles to commerce can be removed with fullest regard for the position and interest of every branch of our production and the general interest of the Nation as a whole. Administered as it has been by experienced and disinterested officials, with infinite care and caution, it is the one method so far devised for constructive action in this vitally important field.

There is no possible effective alternative for it. Our history has shown how strong would be the tendency, were the Trade Agreements Act discarded or crippled, to resort to the position of extreme and ruinous trade barriers. Any such course by this country at this time would spur on all countries in the world, many in greater difficulties than we ourselves, to place high barriers and restrictions about their own countries, provoke them into special arrangements from which we would be excluded—and as a consequence of these measures, destroy the interchange of needed goods by which all countries of the world can gradually repair the damage of the war and improve their economic condition.

In the conduct of our trade with the rest of the world, and in the administration of the Trade Agreements Act, we, of course, take full and detailed account of our domestic situation, our domestic measures, and the forms of trading abroad. The act is flexible enough to permit all measure of wise adjustment. In fact, without the act, we could not meet satisfactorily the changing conditions which will confront us.

Without the Trade Agreements Act, we would be thrown back on the kind of extreme policy that culminated in the Tariff Act of 1930.

It has been suggested that the trade-agreements program be retained but the agreements negotiated under it be made subject to approval by the Congress. Let me recall briefly some pertinent history.

During the entire history of this country, only three reciprocity tariff treaties have been ratified and made effective. All of these were of a special character and were with countries with which the United States had particularly close political or geographic ties: Canada (1854), Hawaii (1875), and Cuba (1902).



Twenty-two other reciprocity tariff treaties have been negotiated by the Executive, 10 under the general treaty-making powers, and 12 pursuant to the express statutory provision in section 4 of the Tariff Act of 1897, but not a single one of these became effective. Seventeen of these were either rejected by or failed to come to a vote in the Senate, one was rejected by the foreign government because of amendments by the Senate, one failed to receive congressional legislation necessary to place it in effect, and three were withdrawn.

In contrast to the record of reciprocity treaties requiring Senate, or Senate and congressional, approval, is the record of Executive agreements negotiated under authority delegated by the Congress and not subject to subsequent approval by the Senate or Congress. Under the McKinley Tariff Act of 1890, 12 reciprocity agreements were made effective, and under section 3 of the Dingley Tariff Act of 1897, 15 such agreements were brought into force.

In 1933, the United States Tariff Commission, after summarizing the reciprocity experiences of this country up to that time, concluded:

The past experiences of the United States with respect to the difficulty of obtaining reciprocal tariff concessions by means of *treaties* and the greater success in negotiating *Executive agreements* under previous authorization by the Congress may be significant as a guide to future policy regarding methods of tariff bargaining.

(The above quotation is taken from U. S. Tariff Commission, *Tariff Bargaining Under Most-Favored-Nation Treaties*, p. 13; the italics are added.)

Since the Trade Agreements Act has been in operation, 30 agreements have been negotiated and made effective. One agreement, that with Iran, signed on April 8, 1943, has not as yet become effective.

No one in his right senses would dream of asking the Congress for an unlimited grant of authority to adjust our tariff rates. No Congress would ever dream of making such a grant of power—and no Congress ever has. The Trade Agreements Act involves a strictly and specifically limited delegation of power, with the terms of which you are all familiar. Its periodic review by the Congress is a fully effective safeguard against the abuse even of these limited powers. In the light of the record of disastrous experience, which I have just recited, a demand for congressional action on trade agreements is a demand for the abandonment of the whole program without which our country's hands will be tied in a field in which it must either act or accept overwhelmingly disastrous consequences.

I shall not dwell on other equally important reasons why it is imperative that the program be continued in its present form, without weakening change. Many of us, both within and outside the Government, including the almost unanimous voice of the public press, have strongly urged such action as an early indication to other nations of our post-war intentions. We have all referred to the interest and anxiety with which other nations would follow the debates in Congress on this question. Developments since the introduction of the legislation in the House have confirmed this. Reports received from country after country, particularly in the neighboring American republics, reveal the marked attention by government officials, the press, and the public to this legislation. The universally expressed hope—except in the Axis countries—is for the trade-agreements program to be extended, both for its practical significance and for the

re-affirmation of the principles of cooperation and fair dealing which it embodies.

When post-war economic readjustments are sought, we shall need to be in a position, in our own national self-interest, to play our part in establishing conditions favorable to mutually beneficial trade, full employment, and generally to fruitful and friendly relations between the peoples of the world. Only through enlarged market opportunity abroad and at home shall we be able to establish and maintain our peacetime economic activity and the employment and living standards of our people on anything like a satisfactorily high level.

The experience of the two decades which elapsed between the end of the World War and the outbreak of a new war in Europe has brought out in sharp relief the validity of two basic propositions. The first of these is that our Nation, and every nation, can enjoy sustained prosperity only in a world which is at peace. The second is that a peaceful world is possible only when there exists for it a solid economic foundation, an indispensable part of which is active and mutually beneficial trade among the nations. The creation of such a foundation is a primary objective of the trade-agreements program, which seeks the advancement of our domestic prosperity and the promotion of world peace.

These great objectives cannot, of course, be accomplished by trade agreements alone. But they cannot be accomplished without them.

The CHAIRMAN. Are they any questions?

Senator VANDENBERG. Mr. Chairman, may I ask the Secretary just one question?

The CHAIRMAN. Yes, Senator Vandenberg.

Senator VANDENBERG. And only one. I would like to preface it by presenting my compliments to him and tell him I think he is one of the finest public servants in my time.

Secretary HULL. I reciprocate that fully, sir.

Senator VANDENBERG. I want to inquire as to precisely what the process is after an agreement has been concluded under the law; I want to inquire what happens thereafter. Now, as I understand the law, the agreement is written for 3 years unless terminated prior thereto "upon due notice."

Secretary HULL. Yes.

Senator VANDENBERG. Who has the authority to give that notice? Who decides that question?

Secretary HULL. Ordinarily the executive department would. Of course, the fact should be kept in mind, I think, that there is all the while full cooperation between the executive and the legislative departments, not only in the spirit of the policy but in the general scope and effect of the policy. There would naturally be no difficulty in reaching conclusions about the importance, or necessity even, of discontinuing any of these agreements. I think the disinterested commercial policy establishment in the State Department, which I think will compare favorably in its practical hard-headed judgment with any similar establishment in any foreign office, would be among the first to find out even a small thing that is going wrong. Immediately several of our flexible safeguards, most appropriate to the given situation, would be applied. Those incidents have occurred in a number of cases with the result that anything that appeared to be reasonably objectionable has been promptly taken in hand, even to the

extent of further negotiations. It is in that friendly spirit of fair dealing that nations have gone into it.

I am coming now to the point that if, for any reason, there should occur something serious in the operation of any of these agreements and those in immediate charge were so derelict as to fail to take suitable action, Congress of course could adopt heroic methods if it should not be listened to—which I am sure it would—in any cooperative spirit over there. Congress could discontinue the appropriations, it could pass resolutions expressing certain ideas and giving further instructions in addition to the statute, or it could make a new statute wiping out overnight the whole structure of this trade-agreements program and provide that the agreements should end in 6 months. Congress is supreme, of course, but I always come back to this working relationship. If we do not have that, I think we are gone. Whether Congress tries to handle it by itself or whether we both try to handle it is an important consideration.

Senator VANDENBERG. I quite agree to that. I was inquiring less about the general latitude than about the legal authority in the law itself.

Secretary HULL. I see.

Senator VANDENBERG. So far as the legal authority in the law itself is concerned, the power to give due notice, I assume, is vested exclusively in the President, is that right?

Secretary HULL. Well, on the recommendation ordinarily of the five departments that cooperate in this work.

Senator VANDENBERG. Yes. Well, now, after the 3 years have gone by and no notice has been given, then the trade agreement runs on subject only to termination thereafter upon not more than 6 months' notice, and I assume that there again the legal authority—the legal control over that notice is in the President?

Secretary HULL. Yes, in effect. And if you will pardon me for adding one sentence. To deal with this practically, Congress cannot undertake to keep up a year-round debate on all kinds of resolutions in regard to trade agreements, in regard to questions of termination, and all that sort of thing.

Senator VANDENBERG. I agree with you.

Secretary HULL. Especially when it has to do with running for years.

Senator VANDENBERG. I agree with that. What I am getting at is this: As the result of this procedure it is a fact then, is it not, that regardless of the life of the Trade Agreements Act itself, whether it is 2 years or 3 years, any agreements made under the authority of the act are virtually permanent, except as the President wishes to terminate them?

Secretary HULL. Or except as the Congress may see fit to intervene in any of the ways I have mentioned, plus the always cooperative relationship existing between it and the State Department and the other departments having these matters immediately in hand.

Senator VANDENBERG. I like tremendously your constant emphasis upon this cooperation with the Congress. I notice in your original statement you said that periodic review of these agreements by Congress is sufficient protection.

Secretary HULL. That is a part of the machinery that Congress created, with a list of very definite instructions limiting and designating the exact scope and nature of the operation of the act.

Senator VANDENBERG. But so far as the law itself is concerned, and so far as the legal authority contained in the law is concerned, there is no provision then for any sort of review at any time by Congress, and the lives of the agreements are exclusively at the mercy of the wisdom of the President; is that correct?

Secretary HULL. In a technical sense. But frankly, Senator, that does not tell the full story. The full story goes back to the conditions I have described. You are either going to retain a referendum by Congress in one way or another—and it makes no particular difference which—or you are not. Now, if we cannot work cooperatively along the lines we have, that is subject to investigation any day in the year, by a Senate resolution, or a congressional resolution, or a joint resolution. We can be investigated, and, frankly, there is nothing that has occurred over there that I would not be delighted—I say “delighted”—that I would not be entirely satisfied for everybody to know.

Now, we have the same thing, as you know, that presented itself to President Hoover and his associates under the flexible provision. There was another effort, an earnest effort to do something with this impossible situation. Congress recognized it and acted on it; it created a flexible provision. You may remember some people were turning somersaults on these different questions. Nobody is criticizing each other in particular that I know of, but at any rate President Hoover and all of his economic advisers recommended the absolute futility of dividing this up so there would be in effect a referendum to Congress. It would have harassed Congress—I think I know that much about the situation over here. These tariff lobbyists that surround the Capitol the year round, they used to pester us almost to distraction. But at any rate, President Hoover in his veto message, as you know, was dealing with conditions as he saw them at the moment, and he said in substance that of course they cannot send these problems of the Tariff Commission back to Congress because it would work Congress to death, and keep up politics and logrolling. I merely mention this to show that we are dealing with an even more complex situation these days, and especially in this unstable state of war conditions at home and everywhere.

Senator VANDENBERG. Let me be just a little more specific about it. Please understand the question I am asking you does not relate to the question of whether the Executive or the Congress should have authority to ratify trade agreements in the first instance. The question I am asking you relates to the life of the agreements that are made under the act.

Secretary HULL. That is what I am talking about. If you announce today to the American public and to all the other nations that as we move through the balance of the war and into the post-war period we are going to have a species of congressional referendum to modify that provision, why, then you change the whole situation. Now, if there is any better way, Senator, to handle this, and at the same time avoid year-round debate under referenda, whatever form they may take, I would like to know it. If there is a better way I would like to know it, because I watched through the administrations that preceded this and studied sympathetically, after I was faced with actually dealing with these situations at the State Department, everything I could find in the action of this Government under previous administrations to deal with this problem, and I haven't found anything that takes the place of this.

Senator VANDENBERG. That is why I want to ask you this. I want to ask you about your reaction to this specific idea. I certainly agree with you, I do not want a year-round congressional referendum on tariffs, and I hope I never see another general revision of the tariffs by Congress, because obviously there has got to be some sort of scientific substitute.

Now, on one hand you constantly reiterate the fact that these agreements, as differentiated from the act itself, are always within the control of the congressional voice, if Congress wants to raise its voice. On the other hand, so far as the legal effects of the existing law are concerned, there is not any right in anybody except the President to suspend or keep a trade agreement indefinitely and perpetually, so that the two things apparently do not gear. Now, under those circumstances, what would be the objection, if any, to a proposal that trade agreements made under the authority, after their initial 3-year life should be revokable by joint resolution of the Congress?

I stress the "joint resolution," because that permits the partnership of the President in the decision, but it recognizes legally that Congress has the legitimate right to do precisely the thing which you say we have the right to do without any authority of law.

Secretary HULL. In the first place, there is a very definite and vital difference in the conditions that face us between this authority and these instructions of Congress to carry on trade agreements and the authority invested in the Executive and given in the war powers. You could raise that same question as to how you are going to get rid of them. There are hundreds of them, perhaps, I do not know how many. I have not kept up with purely domestic matters. I have been following the international situation.

Senator VANDENBERG. If you will allow me to interrupt you, to use your precise example, we have assumed to take care of that situation by writing into almost every one of these laws the provisions that these special war powers are revocable by concurrent resolution of Congress within 6 months after the cessation of hostilities.

Secretary HULL. Getting back to your question, I think if we take this in many vital respects entirely separate and unrelated authority that Congress and the Executive are carrying on in the international situation, it is a very different kind of relationship in many respects than as regards these purely temporary, abnormal war powers. If I may emphasize further, you do not need any authority in this act or in any act, to pass a joint resolution terminating not only these trade agreements but the whole act and anything under it; you can do that by a statute any time you want to adopt it.

Senator VANDENBERG. That is quite true, but remember your own premise. You are asking that our action on this subject shall be a notification to the world as to what our subsequent attitude is to be. If we are to give the world notice as to our subsequent attitude on this subject, even though we give them notice through the renewal of the act itself, in respect to our general cooperative purposes, why should we not also in the act give them notice that in the final analysis the thing which you have repeatedly said is true—namely, that these agreements are revocable if Congress wants to say so?

Secretary HULL. That would show that at least Congress had its mind on the subject of repealing the act.

Senator VANDENBERG. It would show that Congress has its mind on the preservation of the checks and balances of the constitutional

form of the American Government in the post-war world as well as on international brotherhood.

Secretary HULL. Naturally, as I was about to say, if we are interested, if this Government is interested, that means all the branches cooperating together, in definitely indicating to our country and to all other peaceful countries whether we are going to continue an economic policy along moderately broader lines than the narrow policy of the past, before the war, we should do so as fully as we can. Other governments know the record of these 22 tariff treaties that came over here during the past 100 years and never became effective, and they will say that they believe there is doubt, there is a real doubt, about what the course of the Government may be in the future.

Senator VANDENBERG. The only point in which I disagree with you in that respect is that I do not think it is any more fatal for Congress to assert, let us say, merely that subsequent power of revocation, I do not think it is any more fatal in itself for Congress to say so than to admit, as you say the Congress has the right to do it.

Senator CONNALLY. Right there may I ask a question?

Mr. Secretary, is it your contention that Congress at any time, by the repeal of the whole act, can terminate these agreements?

Secretary HULL. By the passage of a law Congress could call upon the Executive to terminate any agreement.

Senator CONNALLY. It could not during the 3-year period that we would have to live up to them?

Secretary HULL. Of course, that is the question that the Senator propounded.

Senator CONNALLY. We could not, certainly, after we make an agreement for 3 years; our public faith would require that Congress or nobody else interrupt the operation of that act during the first 3 years.

Secretary HULL. I quite agree with you.

Senator CONNALLY. That is all, as far as I am concerned, Mr. Chairman. Thank you very much, Mr. Secretary.

Secretary HULL. Have I made that last point clear, Senator? I do not know whether I have or not.

Senator VANDENBERG. I do not know whether I did make mine clear either. I think we agree off the record and disagree on the record.

Secretary HULL. Some of these days, if the war gets worse, we may agree on the record. I hope it does not get worse, but our problems might get worse.

The CHAIRMAN. Are there any other questions?

Senator LA FOLLETTE. Mr. Secretary, I would like to ask you a question. I understood you to say there had been 30 agreements concluded since the act was passed?

Secretary HULL. Yes.

Senator LA FOLLETTE. Do you remember offhand how many of those were concluded prior to the outbreak of the war and how many since?

Secretary HULL. Six since. One has not yet become effective. That is the agreement with Iran. It has only a few import items in it, and they are noncontroversial, I think.

Senator LA FOLLETTE. How many treaties have been concluded since we entered the war?

Secretary HULL. That is something near the same number. I think about the same number.

Senator LA FOLLETTE. You mean six have been concluded since we actually entered the war?

Secretary HULL. No, I haven't got that list.

Senator LA FOLLETTE. Will you furnish that for the record, please?

Secretary HULL. Yes.

(The following statement was subsequently submitted by Secretary Hull:)

TRADE AGREEMENTS DURING THE WAR

Six new agreements have been concluded during war period, four since Pearl Harbor:

	Signed	Effective		Signed	Effective
Venezuela.....	Nov. 6, 1939	Dec. 16, 1939	Uruguay.....	July 21, 1942	Jan. 1, 1943
Argentina.....	Oct. 14, 1941	Nov. 15, 1941	Mexico.....	Dec. 23, 1942	Jan. 30, 1943
Peru.....	May 7, 1942	July 29, 1942	Iran.....	Apr. 8, 1943	( <sup>1</sup> )

<sup>1</sup> Effective 30 days after exchange of necessary documents.

In addition, four supplementary agreements have been concluded (two regarding fox furs with Canada, and two with Cuba).

Senator LA FOLLETTE. Do you anticipate that during the war there will be many agreements concluded?

Secretary HULL. Not many; no. There naturally would not be many, and they would be safeguarded, of course, corresponding to the abnormal conditions. I would like to get this idea definitely before you gentlemen, however. The machinery which we have for dealing with the present thirty-odd agreements makes it possible for us to observe every week and every day, when necessary, all developments with respect to the operation of these agreements during abnormal war conditions. We are safeguarding the interests of our business people in many ways, by preventing violations of these agreements by unnecessary war rules or practices of other countries parties to them. We are examining every phase of these abnormal war developments. Trade channels are changing frequently and call for readjustments with other countries which have trade agreements with us of certain phases of our present trade agreements to conform, where it is practicable, to these changes. We will be able, I think, as the war ends, to have worked out many extremely valuable arrangements and plans that will furnish leadership in attacking the complete network of international financial, trade and general economic conditions. Otherwise, we would have to begin anew. Now, this is off the record.

(Discussion was had outside the record.)

Secretary HULL. We could drop all this and say, "We will wait until the war is over," but we would have quite a lot of difficulty in getting our teeth into that terrific structure of international chaos in all these affairs. I say that in all candor. You may question the capacity of this organization to deal with these conditions, but you will not, I dare say, question the great importance of some agency being on guard and examining closely every development through the war, and especially being ready at the end of it to take hold of many

of these terrific complexities and deal with them without running on for an indefinite time.

Senator LA FOLLETTE. Do I understand your answer then to be that you would not anticipate the conclusion of many agreements during the war, if any?

Secretary HULL. No; not many.

Senator LA FOLLETTE. But that you do anticipate a constant study of the situation and preparation for inauguration of agreements when the war is concluded?

Secretary HULL. That is the biggest phase of the situation.

Senator LA FOLLETTE. That is all, thank you.

Senator VANDENBERG. May I supplement the Senator's question with just this further question? Are there any major countries still outside the completed trade agreement?

Secretary HULL. China and Russia are two that you perhaps have in mind, except we have a general agreement with Russia.

The CHAIRMAN. Are there any other questions?

Senator TAFT. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Taft.

Senator TAFT. Do I understand under the existing law the treaties that are made are binding on the United States, they cannot be revoked by the State Department or the President or anyone for a period of three years after they become effective? Is that a correct statement?

Secretary HULL. In general, yes. As I tried to make clear to Senator Vandenberg, these agreements usually run for a period of 3 years and then or thereafter, on 6 months' notice, they can be terminated.

Senator TAFT. So that if we extend this treaty for 2 years—I say "2 years" because that is the House bill—until approximately July 1, 1945, then in the first part of 1945 treaties could be made which would be binding on the United States until July 1, 1948? Is that a correct statement?

Secretary HULL. That is correct.

Senator TAFT. And we could take the English treaty, for instance, and make a new treaty with England under the law, extending that treaty an additional 3 years?

Secretary HULL. Within all of the limitations and specifications prescribed in the act by Congress.

Senator TAFT. Yes. Now, what worries me is this: Supposing in the period immediately after the war there is a considerable threat of dumping by some of these countries of products which they had accumulated in large numbers, prepared to sell them at cheap prices, and if a treaty exists in that country regarding the tariff, there is no way we could protect ourselves from any such a practice. It is not a practice, it is just the sale of the goods in this country.

Secretary HULL. Absolutely, Senator. The trade agreements program leaves in 100 percent operation the anti-dumping act put in about the time of the Fordney Act, which is applicable in the case of dumping even of goods on the free list, much less those subject to rates. We have also the countervailing clause, which is a separate provision and which likewise gives protection in the case of any kind of subsidy abuses.

Senator TAFT. Take, however, a treaty with Australia which happened to have a large amount of wool, and they sold the wool here at



a cheap price, there is no way in which we could deal with it by calling it dumping or not dumping. I do not see how it would violate any law. Would not it force the price of wool in this country down and leave us with our hands completely tied as far as the tariff is concerned?

Secretary HULL. That is a part of the business of these trade agreements. Many people thought that because both political parties and the Government generally had dealt summarily and pretty carelessly with tariff making, this Trade Agreements Act would be administered in the same fashion. But as a matter of fact, the first thing I insisted on with my associates was that we keep a thousand miles away from any political considerations, that we deal in the spirit of the utmost fairness and sympathy with American production, and that at all times we closely observe the operation of any rates that had been most carefully worked out under this policy. Up to this time we have had no really serious complaint. We have corrected anything we saw that deviated from that policy in a small way.

Senator TAFT. Let me give you an illustration. Suppose we continue this for 2 years to July 1945, and in, we will say, April 1945, we entered into a 3-year treaty with the Dutch Government binding rubber on the free list; that would be effective until 1948, would it not?

Secretary HULL. Yes, sir.

Senator TAFT. Would not that put it practically in your power then to kill any possible synthetic rubber industry in the United States until 1948, even though we felt by some slight protection we could build it up to a point where it could compete with foreign rubber?

Secretary HULL. There are two or three very pertinent considerations that arise in connection with that question. In the first place, suppose we have 3,000 temporary war plants and the great problem will arise about how to salvage those plants, along with many other terrific post-war problems, and minor ones as well? That will be solved in many cases in the light of the conditions as they then present themselves. Nobody knows yet for certain just what will be the relative cost of production and prices on different kinds of rubber in this country. We can tell far better than.

If I may, I would like here to bring up another consideration. I have never been the person to criticize anybody who adhered rigidly to our traditional policies. I followed all those attractive catchwords and catch phrases, and the Lord knows I never thought about criticizing anybody there, but that does not enable us to escape what is right now ahead of us. That is whether we are going to broaden that policy somewhat, and if we are going to broaden it, all nations will look for the test, and, in the awful, unthinkable war conditions and problems and burdens, for leadership by us as to a sound course. I do hope that we shall not overlook that when we take our microscopes and examine whether tariff rates should be 90 percent or 88½ percent.

Senator TAFT. You have already bound guayule rubber on the free list in the Mexican treaty; have you not?

Secretary HULL. For a 2- or 3-year period.

Senator TAFT. Yes. And you may bind real rubber for that period?

Secretary HULL. It is only for that kind of rubber. It is a far different quality from the kind of rubber that you are thinking about.

Senator TAFT. What I am concerned about is this. I am not concerned about continuing the trade treaties during the war, it only

seems to me immediately after the war the situation is going to be so completely different that it is unwise to make treaties at that time which will absolutely tie our hands for 3 years from that time in dealing with the post-war questions. It seems to me there ought to be some way in which treaties made now and hereafter could be terminated by you, if you please—I am not so concerned about Congress—immediately after the war rather than having to wait for 3 years. Of course, if you do not terminate them, they continue.

Secretary HULL. Senator, I have great deference for your judgment. Of course, I think you inherited some of it.

Senator TAFT. I thank you, Mr. Secretary.

Secretary HULL. We are either going to head this Nation into a narrow commercial policy in the way of a program now and after the war, or into what we call a broad commercial policy. We know perfectly well what our task will be, and that is to deal with the great structure and network of all kinds of trade discrimination and trade obstructions, coupled with disordered currencies, all kinds of exchange conditions, and every other excess in the way of impediments and discriminations which may completely demoralize international economy and monetary and related conditions.

Senator TAFT. Don't you think we ought to keep the power to deal with that situation which undoubtedly will arise immediately after the war in our own hands? That is what I am concerned about.

Secretary HULL. We do not have to worry on that score so long as we go forward in the most careful way along the lines of a policy that has for its primary and paramount purpose the promotion of international economic cooperation by getting all the other countries in a friendly way to agree with us, to remove the excesses in all of these restrictions and obstructions which will be in existence, everyone knows, at the end of the war. Moreover, I will be glad to insert for the record a full statement showing the scrupulous care with which safeguarding provisions and escape clauses have been and are now used in the trade agreements to safeguard us against any unforeseen developments in the future.

(The following statement was subsequently submitted by Secretary Hull:)

#### SAFEGUARDING PROVISIONS, ESCAPE CLAUSES, AND RESERVATIONS, IN TRADE AGREEMENTS

Scrupulous care has been exercised in the administration of the Trade Agreements Act to insure that all interests in our national economy are adequately safeguarded, both with respect to the situation existing at the time a particular trade agreement is entered into and with respect to various contingencies which might arise thereafter and which might threaten injury to our interests.

The actual record of the 31 agreements which have been concluded so far is itself the best evidence of the care and caution which are exercised in the formulation of trade agreements to prevent injury to any substantial American interest. While opposition to the trade-agreements program was expressed by various individuals and organizations during the extensive hearings that were held in 1937 and 1940 on renewal of the President's authority under the act, it is a most striking fact that there was an almost total absence of claims by opponents that actual injury—as distinguished from a fear of possible future injury—had resulted from the operation of trade agreements.

This care and caution in administering the act is seen in the procedure which has been followed in obtaining full and accurate information from all available sources, including governmental agencies and interested private persons and groups, before negotiations are undertaken. It is likewise evidenced by the

comprehensive nature of the interdepartmental organization which has carried out the detailed work. This procedure and this organization have been fully described in the congressional hearings and elsewhere, so that there is no need to repeat that description here. For a detailed discussion, reference may be made to the testimony presented before the House Committee on Ways and Means in 1940 by Commissioner Fox of the United States Tariff Commission. (Hearings, p. 491, et seq.)

#### SAFEGUARDING PROVISIONS AND ESCAPE CLAUSES

In addition to the safeguards provided by the character of the procedure and organization under which trade agreements are negotiated, specific provisions have been included in the trade agreements themselves which insure that the public interest will be protected and that the interests of our domestic producers will be properly safeguarded at the time the agreements are signed and thereafter.

Among the provisions of trade agreements designed to take into account particular situations existing or foreseen at the time they are signed, may be mentioned such technical safeguards as limited duty concessions, which represent less than the maximum reductions permitted by law; customs quotas, which provide for reduced duties on specified quantities only; and special tariff classifications, which also operate in appropriate cases to narrow the scope of concessions. In certain cases special arrangements have been made for the other government to exercise measures of control to assure the orderly marketing of exports of concession products to this country.

To the foregoing list of technical safeguards may be added the temporary and provisional concessions granted on certain products in trade agreements negotiated during the war period. Temporary concessions are those duty reductions which are granted for the emergency period only, after which less favorable customs treatment is specifically provided for. Examples of products subject to such temporary concessions are flaxseed in the trade agreement with Argentina and zinc, lead, tomatoes, and cattle in the trade agreement with Mexico. Provisional concessions are those duty reductions which this Government reserves the unqualified right to withdraw at the end of the war. These provisional concessions are placed in a separate schedule of the agreement (schedule III) and relate to products formerly imported wholly or in major part from other countries now cut off by the war. Examples of such concessions are Italian-type cheese, anchovies, and wines, in schedule III of the trade agreement with Argentina, and tuna fish and coconut oilcake in schedule III of the trade agreement with Mexico.

Various kinds of provisions in trade agreements provide adequate safeguards in the event future developments, unforeseen at the time of signature of the agreements, should occur which might seriously threaten a domestic industry.

An important safeguard against future contingencies is the fact that trade agreements can be terminated, and that termination would result in increasing our duties on articles covered by a particular agreement. This fact furnishes a strong inducement to foreign governments, in the event that unusual circumstances should arise requiring special action for the safeguarding of any of our industries, to agree to adjustment in existing agreements, or for the foreign governments themselves to control developments that might lead to denunciation of the agreements by the United States.

Not only can agreements be terminated in a normal manner at the expiration of their initial period of duration, but in special circumstances the agreements can be modified or terminated upon short notice. For example, many of them provide that if a wide variation occurs in the rate of exchange between the currencies of the two countries, and if this variation is considered by either government to be so substantial as to prejudice its domestic industries, that government may propose negotiations for the modification of the agreement; and if a satisfactory arrangement is not reached, it may terminate the agreement on short notice.

Another example is the "third-country" article which is found in a number of our trade agreements. This provision permits the withdrawal or modification of a concession, after consultation with the foreign government, in the event that third countries subsequently obtain the major benefit from it and imports of the product concerned increase to such an extent as to threaten serious injury to domestic producers. A concession on handkerchiefs to Switzerland was modified pursuant to such a provision.

A third example is the provision, included in most of the agreements signed since 1940, providing for consultation with the foreign government should any circumstance arise which is considered to prejudice domestic industry or commerce.

If the two governments do not arrive at a mutually satisfactory adjustment, the agreement may be terminated, either entirely or in part, on short notice.

Still another provision found generally in trade agreements permits the imposition, after consultation with the other government, of quotas on the importation or sale of products on which concessions have been granted, in conjunction with governmental measures operating to regulate the production, market supply, quality or price of like domestic products, or tending to increase the labor costs of production of the like domestic products or to maintain the exchange value of the currency of the country. Among other things, this covers the possibility of import quotas under section 22 of our Agricultural Adjustment Act, as amended.

Finally, attention is directed to the broad safeguarding provisions found in the trade agreement recently signed with Mexico. In article XI of this agreement (a copy of which is attached) specific provision is made reserving to this Government (and reciprocally, of course, to the Mexican Government) freedom to take remedial action, after consultation with the other government, with regard to any concession granted in the agreement, in the event that unforeseen developments in the future prove such action to be necessary to protect domestic producers from injury through excessive imports resulting from the concession. In one case, the concession might be withdrawn entirely. In another, the reduced rate of duty might be made to apply to a limited quantity of imports. In these and other possible ways, the President of the United States could take prompt and effective action. While it will be observed that in this, as in the case of other safeguarding provisions, there is an obligation to consult with the foreign government before action may be taken, this does not mean that agreement must be reached on the action proposed. In some cases, consultation might result in a solution which would make the proposed action unnecessary. In other cases, if the other government should consider the proposed action objectionable, the action could nevertheless be taken and the other government would then be free to terminate the agreement in whole or in part.

The foregoing are some of the more usual provisions to be found in our trade agreements and illustrate the care which has been taken in their negotiation to provide safeguards in the event that unusual or special developments make adjustment desirable after a trade agreement has been entered into. As the Secretary of State has said, most of these safeguarding provisions are in accordance with the general policy of the trade-agreements program of providing flexibility in order to protect the interests of domestic producers whenever necessary. In this connection the Secretary has pointed out that—

“the operation of the trade agreements is given constant and careful supervision in order that remedial action may be taken whenever it appears that the producers of any product might be materially injured.”

#### RESERVATIONS

In addition to provisions permitting the modification of concessions in trade agreements, there are provisions which exempt entirely from the operation of the agreements certain governmental measures with regard to which it is customary to retain freedom of action. Such measures exempted from trade agreements are: Those imposed on moral or humanitarian grounds; sanitary laws and regulations; measures relating to prison-made goods or to the enforcement of police or revenue laws; control over foreign trade in gold, silver, arms, ammunition and implements of war, and neutrality laws and regulations. It is of course understood that the provisions of none of the trade agreements would prevent the adoption or enforcement of measures imposed for the protection of the country's essential interests in time of war. While express language to this effect has been included in several of the more recent agreements, this understanding is implicit in all our agreements.

#### SUMMARY

In summary, it may be stated that adequate provision is afforded under the trade-agreements program to safeguard the interests of the Nation as a whole, and also legitimate private interests, against material injury. The actual record of the agreements so far concluded; the character of the interdepartmental organization which administers the Trade Agreements Act; the manner in which information is sought from all sources and provision made for receiving the views of interested persons both before and after agreements are concluded; and, finally, the actual limitations and safeguards provided in the agreements themselves in respect of existing situations and possible future developments—all these

show the care and caution which have been taken to provide assurances that no substantial American interest will be materially injured, and that remedial action can be taken in the future whenever circumstances may demonstrate its necessity.

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ARTICLE XI

(Trade agreement between the United States of America and the United Mexican States, signed December 23, 1942)

1. If, as a result of unforeseen developments and of the concession granted on any article enumerated and described in the schedules annexed to this agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles, the Government of either country shall be free to withdraw the concession, in whole or in part, or to modify it to the extent and for such time as may be necessary to prevent such injury. Accordingly, if the President of the United States of America finds as a fact that imports of any article enumerated and described in schedule II or schedule III are entering the United States of America under the circumstances specified in the preceding sentence, he shall determine whether the withdrawal, in whole or in part, of the concession with regard to the article, or any modification of the concession, by the imposition of quantitative regulations or otherwise, is necessary to prevent such injury, and he shall, if he finds that the public interest will be served thereby, proclaim such finding and determination, and on and after the effective date specified in such proclamation, and so long as such proclamation remains in effect, imports of the article into the United States of America shall be subject to the customs treatment so determined to be necessary to prevent such injury. Similarly, if the Government of the United Mexican States finds as a fact that any article enumerated and described in schedule I is being imported into the United Mexican States under the circumstances specified, it may, if it finds that the public interest will be served thereby, withdraw in whole or in part the concession with regard to the article, or modify the concession by the imposition of quantitative regulations or otherwise, to the extent and for such time as may be necessary to prevent such injury.

2. Before the Government of either country shall withdraw or modify a concession pursuant to the provisions of paragraph 1 of this article, it shall give notice in writing to the Government of the other country as far in advance as may be practicable and shall afford such other Government an opportunity to consult with it in respect of the proposed action; and if agreement with respect thereto is not reached the Government which proposes to take such action shall, nevertheless, be free to do so and the other Government shall be free within thirty days after such action is taken to terminate this agreement in whole or in part on 30 days' written notice.

Senator TAFT. You referred to the flexible tariffs as a precedent for this, and personally I am in favor of the flexible tariffs, and I doubt somewhat the wisdom of this business of submitting it to Congress, but there is this big difference between the flexible tariffs and trade treaties, and that is the flexible tariff could be changed by the President at any time, whereas these trade treaties would bind us not to make a change for 3 years from the time the treaty becomes effective.

Secretary HULL. Senator, you must recall what an awful incubus that was on all of us, in our efforts to carry out a flexible provision surrounded with the limitations it had. You remember in the first 8 years there were over 30-odd changes made, and that included such things as bobwhite quail and paint brushes. Whenever we got to something real everybody was pestered to death, everybody was harassed and annoyed from one end of the Capitol to the other for a year. I am not going to say what happened to it, I will let you recall that yourself.

Senator TAFT. Yes; but the flexible-tariff provision, of course, was administered by the Tariff Commission with various restrictions on cost of production, and so forth. My suggestion is when Congress

committed itself to that policy, which you cited as a precedent here, we reserved the right to change those tariffs back whenever we wished, whenever the President wished, or the Tariff Commission, whereas this agreement ties us up at a crucial time, when we face tremendous changes, for 3 years, 2 years from now plus 3 years more, that our hands are completely tied. It seems to me there ought to be some way in which those treaties could be determinated or made terminable after the war, or from the end of the war. During the war it does not make very much difference.

Senator CONNALLY. Senator, may I ask a question on that?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. Under the act, if you desired, you could make a treaty for less than 3 years?

Secretary HULL. Yes. It says it shall not exceed 3 years.

Senator CONNALLY. Yes.

Senator TAFT. You have never done it, though. Every treaty goes for 3 years thereafter until terminated.

Secretary HULL. No. A number of the agreements have had shorter initial periods. I would like to get your attention to this really major phase of the matter, Senator, that you brought up last, and that is the operation of the so-called flexible provisions. Now, you understand those provisions were related to nothing more than to just raising the rate, whereas this trade-agreements program recognizes the complete network of chaos brought about by trade restrictions and discriminations all over the world. There is a saving clause in this whole policy, and nobody living has yet suggested any other, Senator Taft.

Senator TAFT. I am not criticizing that 3-year provision in these times. I am just suggesting that the situation after this war is going to be so disrupted that we ought not to tie our hands for 3 years from the end of the war on tariff questions, in working out this generally cooperative agreement with the other nations.

Secretary HULL. We ought not go to the end of the war blindfolded; so far as this whole chaotic situation of war conditions is concerned, we ought to have the help of this sort of organization to pave the way to attack those problems, in my judgment.

Senator CONNALLY. Mr. Secretary, may I ask you one further question?

Secretary HULL. Yes.

Senator CONNALLY. Had you finished, Senator? Have you any further questions?

Senator TAFT. Go ahead.

Senator CONNALLY. You say nearly all the great nations have already made these agreements, and that we have about 30 of them. If you should, under this continued authority, make agreements with the others, the ones that you have not already made, would not it necessarily more or less have to be on the same general plan that you have made them with the other nations?

Secretary HULL. It would simply be extending the operation.

Senator CONNALLY. That is what I mean. You would not throw in a new process altogether?

Secretary HULL. No.

Senator CONNALLY. You would coordinate them, as it were, with the existing plans with other nations?

Secretary HULL. Yes.

Senator CONNALLY. So we would not need to look to anything very revolutionary about any future treaty you make?

Secretary HULL. The best assurance of that is the 9 years' operation of the act. It has worked effectively in approaching this trade-obstruction situation. It is approaching the other nations not with a threat, as many laws do, but with a friendly plea to sit down and agree to a mutually profitable trading arrangement which would automatically extend itself over the world by degrees while it was breaking down the excesses in the restrictions and discriminations.

Senator LUCAS. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Lucas.

Senator LUCAS. Mr. Secretary, what is the oldest trade agreement that exists under the Foreign Trade Act at the present time?

Secretary HULL. You mean under this present act?

Senator LUCAS. Yes.

Secretary HULL. The first one was with Cuba. A little later we made one with Canada. I have it somewhere here.

Senator LUCAS. About what year was that?

Secretary HULL. 1935, as I remember it. That is subject to correction.

Senator LUCAS. Yes. Well, assuming that is true, we have this trade agreement just now with Canada and it has been in existence since 1935. Now, as I understand it, that contract can be terminated at any time, by giving, through the executive branch of the Government, 6 months' notice.

Secretary HULL. Yes, sir; by either Government.

Senator LUCAS. Or it can be terminated by Congress.

Secretary HULL. By Congress, any time it cares to pass an act.

Senator LUCAS. Now, how does this Resolution 111 affect that agreement? That is, supposing we pass this resolution, does that mean you could not terminate that agreement in 3 years?

Secretary HULL. You mean the Canadian agreement?

Senator LUCAS. Yes.

Secretary HULL. That can be terminated at any time upon 6 months notice after the first 3 years of operation, which have now expired even as regards the present agreement.

Senator TAFT. Three years from now he can make a new agreement with Canada which cannot be terminated for 3 years. That is the power under this act that he has.

Secretary HULL. That extends over the pressing war conditions, under the protection of Congress.

Senator LUCAS. Do I understand under this act you could make any agreement with any of the 16 nations, where you had the trade agreements before the war?

Secretary HULL. Yes, sir; but this would undoubtedly be done only to a partial extent, depending on the conditions and circumstances.

Senator LUCAS. Or you could continue with the present trade agreements, if you so wanted to, under this act?

Secretary HULL. Yes.

Senator LUCAS. And if you did continue under the present trade agreement, then each and every one of them, regardless of the 3-year period, could be terminated on 6 months' notice?

Secretary HULL. Precisely, except for a few of the more recent ones.

Senator LUCAS. One other question. Have we any trade agreements with any of the countries in north Africa?

Secretary HULL. We have one now. The trade agreement with France covers Algeria and Tunis.

Senator LUCAS. Did we have any trade agreements with any of those countries that are now actually in the war?

Secretary HULL. Oh, yes; a number of those countries had trade agreements with us.

Senator LUCAS. What is the status of those?

Secretary HULL. Of course, trade is at present largely governed by war conditions rather than tariffs and normal peacetime agreements.

Senator LUCAS. These governments over there in north Africa are constantly changing hands at the present time. I am wondering what will be the status of those trade agreements after the hostilities cease.

Secretary HULL. In the first place, as you say they are going through evolutions, and we are not undertaking to make any regular trade agreement with them, especially since France is really under the immediate domination of Germany.

Senator LUCAS. I presume those trade agreements will just stand in suspension until a stable government comes along after the war with which you can deal.

Secretary HULL. Yes.

The CHAIRMAN. Are there any other questions, gentlemen, of the Secretary?

If not, Mr. Secretary, we thank you very much for your appearance.

Secretary HULL. I want to express my appreciation here, because the Lord knows I run into enough complacency on the outside, or failure to realize the magnitude and difficulties and dangers of what is ahead of us in our respective functions. I am greatly stimulated to see that serious recognition by each one of you.

The CHAIRMAN. We thank you very much for your aid and assistance to the committee.

Dr. Sayre, perhaps the committee will want to ask you some questions, or do you have a general statement?

Mr. SAYRE. I have a very short general statement, if I might make it, sir.

The CHAIRMAN. We will hear you at 2:30. Come back then.

(Whereupon, at 11:45 a. m., the committee recessed to 2:30 p. m. of the same day.)

#### AFTERNOON SESSION

(Pursuant to the adjournment for the noon recess, the hearing was resumed at 2:30 p. m.)

The CHAIRMAN. You may go ahead, Doctor.

### STATEMENT OF FRANCIS B. SAYRE, SPECIAL ASSISTANT TO THE SECRETARY OF STATE

Mr. SAYRE. Mr. Chairman and members of the committee: The issue which the present resolution presents involves much more, against the background of 1943, than did the narrow and often sterile tariff debates of the past.

This country is engaged for the second time within 25 years in a devastating world war. There is acute need, therefore, for the most



searching reexamination of every policy of Government which affects or may affect either the conduct of the war or the prospect for establishing a secure peace thereafter. The course which we set for ourselves in the field of international commerce may affect both. The country is entitled therefore to the best nonpartisan wisdom that can be brought to bear on the crucial problem of establishing sound policies and effective procedures in that field. No narrower view is consonant with our responsibility to the people of this Nation.

When this war ends the United States will face two paramount problems:

(1) How to make a secure and fruitful peace;

(2) How to ensure, without undue interference with our free institutions, that every American who is willing and able to work shall have a fair chance to earn a decent living.

The first problem is obviously international, since war is an international affair. The second is only slightly less so. The United States is a great trading nation, and cannot expect to be prosperous in a world in which its customers and sources of supply are bankrupt. Collaboration with other nations on both problems is therefore a sensible, if not indeed an indispensable, procedure.

Fortunately, our own fundamental objectives in this field and those of other countries are the same. We have common foundations upon which to build. All men desire security; all desire plenty; and few who have had a taste of individual liberty desire to give it up.

The two problems—peace and jobs—security and economic freedom—are closely related. Wise international trade policies are part of the underlying solutions of both.

So far as the problem of unemployment is concerned, certain facts are obvious. If men returning from the battlefield and those engaged in war industry are to find productive jobs in private industry after the war, we must move in the direction of enlarged market opportunities in the post-war world. As long as people live on this earth of differing climates and varied natural resources and diversified physical conditions, men will want to exchange the products of one area for those of another. People living in the great agricultural and food producing areas will want to exchange their food and raw materials with those living in industrial areas producing factory goods, and vice versa. Manifestly, the number of jobs available in each group will depend directly upon the extent to which it can sell or exchange its products with those of other groups. By doubling its sales each group doubles its employment and doubles its purchasing power. Employment is measured by trade. Clearly, the way to increased employment is in the direction of opening up the channels of trade. This must be done gradually and selectively, so that no one will be inundated or injured in the process. I know of no other practicable way, except the questionable one of large and continuing direct expenditures by Government, which offers any reasonable hope of a solution of the post-war unemployment problem.

With regard to the second problem, peace, it is equally clear that industrial nations under twentieth century conditions, to maintain their standards of living, must maintain access to necessary raw materials and necessary markets. If they are denied access to these they will feel forced to fight. If trade barriers erected along national frontiers bar them from raw materials and markets they need for the

maintenance of their populations, they will fight to destroy those frontiers. Lowered trade barriers and freedom from trade discriminations are essential parts of the only foundations upon which lasting peace can be built.

Within the confines of a brief statement it is impossible to trace the direct and indirect relationships between economic maladjustments and war; but there is no informed and responsible person who denies that the relationship exists.

The trade-agreements program cannot right all the economic maladjustments of this country or the world, nor can any other single program, but it does embody a method which experience has shown to be practicable and highly successful for increasing trade through international cooperation. It is justly regarded in this country and abroad as one of the few existing working programs based upon international cooperation in important economic matters which has met with outstanding and striking success. I cannot believe that the Congress will decide to reject or cripple such a program at the very time when the fate of this Nation and of all free peoples hinges on the determination and ability of the United Nations to work effectively together in the winning of the war and in the winning of the peace.

There can be no real question today that the policy of economic cooperation is essential, is a necessity, if we are to survive. There can be no question that in the commercial field the trade-agreements program is the expression and embodiment of that policy. The only real issue before you is one of method. Does the bill now under consideration offer a method which is practicable for achieving the desired result?

Upon this issue only one thing need be said. The experience of the past 9 years shows that the present method is workable; the experience of the past under other procedures proves them to be unworkable. We understand this and we must realize that other nations also understand it. Of all times this is surely not the occasion to make changes simply for the sake of change. 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. Berlin's radio propaganda has already manifested Germany's interest in the matter.

The program has worked uncommonly well. It has been tried in the fire of experience. It has produced results. It has brought to America increased trade and increased employment, without working injury to any branch of American agriculture or American industry.

The facts concerning the act, its administration, the agreements entered into under it, the tangible and intangible results of those agreements, and the prospects for the future as far as it can be foreseen, are fully and well stated in the report of the House Committee on Ways and Means, which I assume is available to this committee. I shall not take the time of the Finance Committee to summarize what is there so carefully set down. Of course I am available to the committee to furnish any information in my power desired by the committee on any matter connected with the program.

One of the most impressive parts of the House committee's report is that which describes the all but unanimous support which the long hearings in the House developed. Americans from every section of

the country, from both of the great parties and from every walk of life, support the present measure. Republicans and Democrats, manufacturers and labor unions, chambers of commerce and farm associations, the press in every section of the country, 1,500 professional economists, disinterested public-interest groups of every sort, urge favorable action. I know of no recent governmental measure or proposal unless it be lend-lease or legislation for the direct prosecution of the war, which has received such nearly unanimous and positive support. That support is based on the profound realization, as I have been suggesting, that practical international cooperation is the best hope for the future that we have, and that this act is a necessary part of it.

The House committee summed up its conclusions in words which state my views, and which I ask permission, Mr. Chairman, to adopt:

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.

The CHAIRMAN. Are there any questions, gentlemen?

Senator VANDENBERG. Dr. Sayre, I would like to ask for one statistic, if it is available. Can you tell me how many tariffs have been reduced under the Trade Agreements Act?

Mr. SAYRE. I speak subject to correction. I think it is in the neighborhood of over 1,000. I believe a member of the Tariff Commission is here who can tell you.

Senator VANDENBERG. That is near enough.

Mr. SAYRE. It is 1,180, I think.

Senator TAFT. According to this House hearing, it is 1,180.

Senator VANDENBERG. Can you tell me how many have been increased?

Mr. SAYRE. You mean the number of our American tariff items which have been increased under the trade-agreements program?

Senator VANDENBERG. Yes.

Mr. SAYRE. None that I know of. The reason, of course, is very manifest. This whole proposal, as you know, is one of bargaining with foreign countries. What we are trying to do is to protect the American export trade by reducing foreign trade barriers in return for reducing ours. I think the proper number to compare with that 1,180 is, so far as it is comparable, the number of foreign trade barriers reduced in exchange for our reductions.

Senator VANDENBERG. I assume it would be fully as large.

Mr. SAYRE. Very much larger.

Senator VANDENBERG. That is a point I am not interested in.

Mr. SAYRE. Very much larger.

Senator VANDENBERG. That involves exclusively the question of encouraging export trade.

Mr. SAYRE. Protecting and encouraging export trade.

Senator VANDENBERG. I understood that an equally definite function of the trade agreement was to protect the domestic economy wherever it might be threatened by foreign trade methods. Is not that true?

Mr. SAYRE. I go back to the language of the act, Senator. A part of the Trade Agreements Act itself says:

For the purpose of expanding foreign markets for the products of the United States—

then skipping some language—

by regulating the admission of foreign goods into the United States in accordance with—

so forth and so on. I think the objective purpose, if I understand your question correctly, sir, is to expand and protect the foreign commerce of the United States so as to expand our markets and thus increase our domestic production.

Senator VANDENBERG. So you exclude from your definition of the function of the Trade Agreements Act the protection of the domestic economic welfare of our country against external threats of foreign competition, or dumping, or anything of that sort?

Mr. SAYRE. I do not, sir. I think if one goes on reading from the preamble of the act which I was quoting from, you see the language—

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—

and so forth. Now, if I may explain just what I mean, sir, in answer to your question—

Senator VANDENBERG. Before you do that, inasmuch as you have just read the quotation, let me ask you if it is your conception that the protection of the American standard of living might never in any circumstances require an increased tariff?

Mr. SAYRE. It might. May I just answer, in reply to your question?

Senator VANDENBERG. Yes.

Mr. SAYRE. Those administering the Trade Agreements Act have never conceived it as a 50 percent free-trade policy, if I may use that word. That is, you remember the act itself says the tariffs may be reduced to a 50-percent level. Never have those administering the Trade Agreements Act conceived that their job was to get all protective tariffs down to a 50-percent level, they have instead administered the act in a selective way. Their main concern has been to benefit American domestic production, American domestic manufacturers and agriculture, so that they have been most meticulous in finding ways and means by which excessive tariff rates could be lopped off moderately, but in such ways as not to injure American industry or production which might be in competition with foreign importation.

I think that the proof of the pudding is in the eating. I think our 9 years' experience has shown that no branch of American production or industry has been injured by lopping off those excesses.

Senator VANDENBERG. I am not prepared to argue that with you, Doctor. I do not care to bring up any figures on the subject.

Mr. SAYRE. No; but I am simply trying to answer the question that you ask, as to whether we have abandoned the thought of protecting the American producers. We have not for one moment. The interests of the American producers are at the very forefront, and I think the whole conception in the minds of those administering the Trade Agreements Act is only to lop off the excesses, the tops of tariff walls in such places as those which are not economically justified, where they do more than protect, where they are unnecessary for the good of American producers, and yet where the lopping of them off can be exchanged for advantages in reducing foreign barriers against American export goods in a way which will prove of material advantage and benefit to American domestic producers. So that our whole conception is to help and promote the interests of American domestic producers.

Senator VANDENBERG. Yes; but we are constantly told, and the point is stressed, that before any of these agreements are made there is a very scrupulous consultation of American industry to see what the effect of existing tariffs and prospective reductions are upon American industry and the usual phrase, the American standard of living.

Mr. SAYRE. Yes.

Senator VANDENBERG. That is supposed to be part of the process?

Mr. SAYRE. Yes.

Senator VANDENBERG. Yet isn't it something more than a coincidence that in 9 years' study of the protection of the necessities of the American standard of living and in 9 years' consultation on the welfare of the domestic economy, that the score is 1,180 to 0 in favor of reduced tariffs?

Mr. SAYRE. I say the score is 1,180 to 5,000 or 6,000 foreign tariffs reduced in return for ours. I think it is perfectly obvious, Senator, that the trade-agreements program is not a program based upon raising or lowering tariffs; it is a program based on bargaining with foreign powers in order to get foreign barriers reduced against American export trade. Insofar as that is true, and that is the nature of the trade-agreements program, you are not going to get foreign nations bargaining to increase American tariffs. It is a bargaining program.

Senator VANDENBERG. Whenever you have one of these clinics on a given industry, let us say the X industry, where you thought there might be an advantageous reduction of the tariff, and for the sake of the argument let us say you attempted to discover—it may be a violent assumption, but let us say you attempted to discover and you did discover that this was actually a distress industry and it ought to have more protection if it is to withstand the impact of foreign competition—what would you do about it?

Mr. SAYRE. I would go to Congress and ask Congress to increase the tariff for that industry. Certainly, I would not go to the foreign nation and ask the foreign nation to increase the tariff and bargain to increase. I do not think it is for the foreign nation to say; I think it is for the Congress to say.

Senator VANDENBERG. You would not undertake to revise the trade-agreement figure upward at that point?

Mr. SAYRE. I would not bargain with the foreign nation to do that. I think that is something for Congress to do.

Senator VANDENBERG. You would come to Congress because you recognize the fundamental responsibility of Congress for tariffs in that situation?

Mr. SAYRE. I would.

Senator WALSH. Has that been done in any instances, Dr. Sayre?

Senator VANDENBERG. No.

Mr. SAYRE. You are asking whether the Secretary of State has gone to Congress and asked for some increased tariff?

Senator WALSH. Where he has found some distressed industry and asked for an increased tariff.

Senator VANDENBERG. I cannot imagine any such thing.

Mr. SAYRE. I have not heard of any case such as that, Senator. What would actually happen, the industry itself would go right to the Congress. Now, we have, of course, restricted imports of certain commodities by quantitative restrictions in some trade agreements.

Senator WALSH. If I remember correctly—I am not saying this in criticism—

Mr. SAYRE. Yes.

Senator WALSH. The State Department has requested this committee to refrain from making any changes in the tariffs.

Mr. SAYRE. The State Department itself believes wholeheartedly that it is in the interest of the United States, as it is in the interest of all nations, to pull down unjustifiable and excessive trade barriers. It is convinced that the existence of these trade barriers is against our own self-interest and makes for ultimate war, and for that reason the State Department is strongly against the erection of unnecessary trade barriers. If I may just complete this, in answering the question that the Senator put to me, a case of where there was an industry which I was convinced needed increased protection, I am answering that suppositious case.

Senator VANDENBERG. I want to pursue this a little further, to be sure I understand. You say that if a situation developed, where for the sake of argument we agree there should be increased protection upon some commodity, that situation is for Congress to remedy?

Mr. SAYRE. I should say so, sir.

Senator VANDENBERG. Now, a trade agreement is made for 3 years and then it runs forever except as the President may conclude to call it off. Is there any point in the entire process where Congress is permitted to express its views in respect to the tariff? Suppose Congress thinks that one of these commodities that is involved in your trade agreement is the commodity which honestly and legitimately requires additional protection, under what part of this trade agreement, Dr. Sayre, is Congress entitled to speak on the subject, and how would you expect Congress to speak?

Mr. SAYRE. If I understand you correctly, Senator, you put the question of a commodity which is covered by a trade agreement; is that right?

Senator VANDENBERG. That is right.

Mr. SAYRE. And which is bound, we agree, for a certain time to keep the tariff rate on that commodity fixed?

Senator VANDENBERG. Yes.

Mr. SAYRE. For the life of the agreement, and most of these agreements, of course, can now be terminated within 6 months.

Senator VANDENBERG. That is at present they cannot be terminated by us except as we butt in.

Mr. SAYRE. When you say "butt in," sir, I do not quite understand what you mean.

Senator VANDENBERG. Except as we violate the moral obligation when you notify the foreign countries to depend on this act.

Mr. SAYRE. For instance, a trade agreement which has run its 3-year course and which can be denounced on a 6 months' notice, then I believe the President would pay very great attention to an act of Congress requesting that that trade agreement be denounced within 6 months.

Senator VANDENBERG. I do not think that anybody can complain about your answer. I think that is a fair answer, and I think that is a square answer, I think it is a logical and practical answer, but if that is to be the process which is recognized as appropriate and legitimate, why should not the Trade Agreements Act say categorically that these agreements are revocable, not revoked but revocable, by a joint resolution of Congress?

Mr. SAYRE. You mean after the 6 months' notice?

Senator VANDENBERG. After the 6 months, after the cessation of the war, and simply stating in terms the precise thing that you say it would be appropriate for us to do, and I do not think it would be appropriate for us to do, except as we give ourselves the license in the language of the act itself.

Mr. SAYRE. That is, if I understand you correctly, you are returning to the question you asked Secretary Hull this morning.

Senator VANDENBERG. That is right. I cannot see any legitimate objection to it, even from your point of view and your theory.

Mr. SAYRE. Of course, it is the answer of the Secretary of State which is the official answer. You are asking for my own personal reaction?

Senator VANDENBERG. That is right.

Mr. SAYRE. Which is in no sense official, the Secretary of State having already answered that question. My own personal reaction would be this, if I correctly understood your question this morning: It would not add by one iota to the power which Congress already possesses of passing such a resolution after the trade agreement has run its course. It would not add by one iota to the power of Congress. It would not, therefore, help the local situation one bit. I think it could do considerable psychological harm. It could do psychological harm in notifying foreign nations that the agreements which are entered into between the United States and them are being perhaps looked at askance by Members of Congress and that there is not the same assurance of firm ground for continuing the program and the nondiscriminatory treatment which is required under these trade agreements. I think, in other words, that you would shake the confidence of all nations in the continuance of the nondiscriminatory and fair-play commercial treatment which has been inaugurated by the United States by this trade-agreements program, and which we hope will be part of the underpinning of the peace to come.

Senator VANDENBERG. In other words, you are saying we will scare our inter-Allied partners by the assertion of the constitutional right which you proclaim that we possess?

Mr. SAYRE. I think it would accomplish absolutely nothing in conferring additional powers on Congress, and its psychological effect would be rather unfortunate.

Senator VANDENBERG. What is the psychological effect, Dr. Sayre, on the other hand, of notifying foreign nations to believe that trade

agreements are continuous except as the President alone may desire to remit, when that is not the constitutional fact? Is that the way to treat our good neighbors?

Mr. SAYRE. I think our good neighbors understand that these trade agreements are part of a foundation of economic cooperation and non-discrimination; that the United States is seeking to lead the way with other nations in building up this underpinning for economic peace and security following the war. You see, the trade agreements carry with them more than simply tariff cuts or reductions in trade barriers on each side; the trade agreements carry what to my mind is of equal if not greater importance, the promise and assurance that there will not be discrimination of one country's goods against the goods of the other. That agreement, that promise to treat on the basis of absolute equality and nondiscrimination, it seems to me is an inescapable and absolutely necessary foundation which nations must lay if they are going to build any peace that has a chance of lasting.

Senator VANDENBERG. I am with you. I am going to join you in asserting there has got to be no discrimination in the harmony of our relationship with the foreign countries. In the face of an American statute, in the face of the constitutional rights of the Congress of the United States, is not one antidiscrimination factor just as important as the other?

Mr. SAYRE. But there is no discrimination, sir, against the Congress of the United States. I think it is recognized that the conduct of foreign relations lies within the realm of the President, and when he makes treaties he submits treaties to the Senate for confirmation.

Senator VANDENBERG. You do not contend that the right to make the tariff is within the recognized rights of the Executive?

Mr. SAYRE. No. I am talking about agreements, international agreements. Remember this Trade Agreements Act is a bargain made with another country, partly to reduce these tariffs and trade barriers, but also a promise exchanged on each side not to discriminate against the commerce of the other. That is this equality of treatment that, to my mind, is of such crucial importance in building up fair trade relationships and in increasing employment in all the countries. Now, that being true, I think there is no discrimination, to use your word, against Congress in saying that the President is the one that conducts these foreign relationships, subject to the rights of the Senate in its treaty-making power, of course.

Senator VANDENBERG. Where is that right apparent in this process?

Mr. SAYRE. I do not understand what you mean, sir?

Senator VANDENBERG. You said this Presidential power is subject to the right of the Senate to ratify treaties.

Mr. SAYRE. Yes.

Senator VANDENBERG. Where does that right enter into this contemplation?

Mr. SAYRE. Of course, I need not point out to as astute a lawyer as you that there are two methods for making an international agreement.

Senator VANDENBERG. I am not a lawyer, Doctor, and you will have to pass that "condemnation" by.

Mr. SAYRE. You have a knowledge of the law, sir, which is second to few. There are two well-recognized methods for making international agreements, at least two: One by the treaty-making power,



and another by what are known as executive agreements. These are executive agreements, and the Supreme Court has, as you know, recognized again and again the validity and constitutionality of executive agreements. Now, the treaty-making power would be a perfectly proper way to go about this if it were practicable, if it were workable.

Senator VANDENBERG. Now, Dr. Sayre, if I am willing to forego, certainly for the duration, any sharp interruption in your Trade Agreements Act—and I should detour long enough to say I am opposed to the interruption of any interallied relationships needlessly while we are in this military partnership—if I am willing, let us say, at least for the time being, to withdraw my traditional opposition to the Trade Agreements Act, and if I am willing even to put on ice my other deep constitutional conviction that under the Constitution the Senate ought to be permitted to ratify these trade agreements, if I am willing to do all that in cooperation with this war effort, I do not quite see the reasonableness in any refusal on your part to permit me to simply say in this law that Congress has the ultimate right of revocability, which you assert it does have, and which you say the spelling out of the power in the law would not add at all to the power of Congress in connection with it. I fail to understand why you resist at that point the assertion of a fact.

Mr. SAYRE. Because, as I said before, sir, I think it would give an unfortunate psychological effect to foreign countries in the program which it is to our vital interest to construct and build and inspire confidence in.

Senator VANDENBERG. I think we have perpetrated a great injustice on foreign countries if you allow me to say so, Dr. Sayre, sir, when 25 years ago we permitted them to be misled, regarding the constitutional nature of our checks and balances, and this is not a government that is run permanently by executive decree and that there is a congressional authority which occasionally can be executed.

Mr. SAYRE. I think the foreign nations realize the existence of that, sir.

Senator VANDENBERG. Then, I do not think we would scare them very much if we said so now, do you?

Mr. SAYRE. I think the amendment which you propose would be unfortunate for the reason which I suggested, sir.

Senator VANDENBERG. All right; I guess we cannot get anywhere with that.

The CHAIRMAN. Why is not this a complete answer to the whole thing: The Congress is simply giving the President power to do certain things with respect to the tariff. The language in the act itself does not say that the notice which may terminate the agreement after it has been in operation for 3 years shall be given by the President. Perhaps the plain inference is that he is the only proper person to give any notice to a foreign nation, but the language, "and, if not then terminated, shall be subject to termination thereafter upon not more than 6 months' notice." It does not say, "by the President"; it does not say, "by the Congress"; it does not say by anybody else. Does not that mean that you could write language in here reasserting or reconfirming the power of Congress over and over and over again?

Senator VANDENBERG. Before Dr. Sayre answers, I want to remind the able Senator that Mr. Secretary Hull gave his categorical defini-

tion this morning, that that is a power of notice resident exclusively in the Executive.

The CHAIRMAN. Well, of course, the Executive is the only official organ through which the Government can carry on any kind of transaction with a foreign nation. That is so under the Constitution, but this act here does not prevent action by the Congress if the Congress wanted to take it.

Mr. SAYRE. Shall I answer, Senator?

The CHAIRMAN. Yes.

Dr. SAYRE. I think that is correct, sir. I would point out the language which is inserted in the trade agreements themselves.

The CHAIRMAN. Before you do that, Doctor, let me ask you this—

Senator TAFT (interposing). Why is that? I question the other thing. I do not think this can be terminated by the action of Congress. I dispute the whole basis of that. Why should it be? That is what I do not quite understand.

The CHAIRMAN. Why could not the Congress terminate it?

It could repeal the act?

Senator TAFT. It could repeal the act, but it might not want to repeal the act.

The CHAIRMAN. Why could not that terminate the agreement?

Senator TAFT. Because there is a treaty made with a foreign nation. How could the Congress communicate with the foreign nation at all?

The CHAIRMAN. The communication would have to come through the President, of course—that is the only thing about it—but there isn't any doubt there could be no moral obloquy attaching to the Congress if, in any one of these agreements, after a 3 years' term, the Congress itself said that this agreement should no longer be in existence. It would be the duty of the President, of course, to communicate that action of the Congress to the foreign country.

Mr. SAYRE. Might I comment on Senator Taft's observation?

The CHAIRMAN. Yes, sir; I do not want to divert you, but I want to get to another part of the act.

Mr. SAYRE. Just let me say, in reply to you, sir, I think it is clear when you read the language of the trade agreement, which, of course, is the binding compact which has been made with the other nations—

Senator TAFT (interposing). It is the uniform clause in all the agreements?

Mr. SAYRE. So far as I know it is uniform; yes, sir.

I am going to read from article XVIII of the Mexican Trade Agreement, which is typical of them all, as far as I know. It is substantially the same in the others, although the terms, by the way, are somewhat different in some. Not all the trade agreements were concluded for an initial term of 3 years, but the maximum is for 3 years. The Mexican agreement reads:

ARTICLE XVIII. Unless 6 months before the expiration of the aforesaid period of 3 years the Government of the United States of America or the Government of the United Mexican States shall have given to the other Government notice of intention to terminate this agreement upon the expiration of the aforesaid period, the agreement shall remain in force thereafter, subject to the provisions of article X and article XI, until 6 months from the date on which notice of intention to terminate shall have been given by either Government.

That raises the question of who, under constitutional functions, should give that notice. It says that the notice is to be given by the

Government of the United States. I suppose there is no question but that the person giving such notice constitutionally would be the President.

To return to Senator Vandenberg's question as to what is the power of Congress, as I answered him before, I think the President would certainly pay considerable attention to a resolution by Congress to the effect that such and such a trade agreement should be terminated.

Senator TAFT. Then, again, he might not.

Mr. SAYRE. He might not.

The CHAIRMAN. I do not agree with you at all, Dr. Sayre. If the authority under which the President acts is the authority of Congress, then Congress could terminate one of these agreements even though Congress were morally at fault. I assume Congress would not do it unless its right to do so was clear, and then the President would be bound to communicate that fact to the foreign government.

Mr. SAYRE. I think it is a very academic question.

The CHAIRMAN. I do not think it is academic.

Mr. SAYRE. When you say Congress would terminate an agreement before the agreement itself expired—

The CHAIRMAN. I do not think Congress would. The question was phrased a little bit differently. Senator Vandenberg asked you if there would not be a moral restraint on Congress to take certain action if it were not expressly put into the law. That is the reason I read this. I interpret this to mean the Government has the authority under which the trade agreement was made in the first place, and certainly that is legislative. There is no validity put upon this act except upon the theory that there is a delegated power of the Congress under sufficiently specific directions to sustain its validity. The President is acting, surely in this instance, so far as the tariff feature is concerned, as an agency of the legislative branch.

Senator TAFT. May I call your attention to a section of the act? It is at the end of section 350 (a) (2).

The CHAIRMAN. I wanted to ask him about that.

Senator TAFT. It says:

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.

Mr. SAYRE. In other words, so far as the duties are concerned, those duties are affected by this proclamation which is issued by the President under the authority of this Trade Agreements Act; that is correct.

The CHAIRMAN. I wanted to get to that point. Does that language "the President may at any time terminate any such proclamation in whole or in part" refer to the 3-year period?

Mr. SAYRE. I am not quite sure I understand you, Senator. The tariffs are actually changed, as I understand it, by virtue of the proclamation which the President issues under this act.

The CHAIRMAN. Yes; upward or downward by 50 percent only.

Mr. SAYRE. Yes, sir. The actual tariff is not changed by the agreement but by the President's proclamation.

The CHAIRMAN. Yes. Well, now, when can the President terminate that proclamation?

Mr. SAYRE. Any time he chooses to. Of course, he is not going to violate an international obligation.

The CHAIRMAN. I understand that. I just want to know how that is construed in the Department.

Mr. SAYRE. So far as I know, sir, the President can terminate proclamations under this section if and when he chooses, although he is directed earlier in the act to carry out the provisions of the trade agreements pursuant to proclamations.

Senator TAFT. I suggest following immediately the proviso it relates to cases in which discriminatory treatment arises, and he may cancel the treaties because of that discriminatory treatment.

Mr. SAYRE. What is the section?

Senator TAFT. It is the end of section 250 (a) (2).

Mr. SAYRE. Yes. I did not have the place before, sir. It says:

*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 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.*

So far as that proclamation is concerned, sir, that may be done at any time.

The CHAIRMAN. You said, in answer to Senator Vandenberg's question, that there have been 1,185 reductions?

Mr. SAYRE. 1,180.

The CHAIRMAN. 1,180 actual reductions in import duties?

Mr. SAYRE. In our trade barriers.

The CHAIRMAN. In our duties?

Mr. SAYRE. In our duties, and we have several thousand from foreign countries.

The CHAIRMAN. How many, do you know?

Mr. SAYRE. It is impossible to count them up, because it depends on what you call a change. In the British trade agreement, I am told, there were 1,500. In the Cuban trade agreement, I believe there were several hundred, and in the Canadian trade agreement, there were, I think, about 1,000, if I remember correctly.

Senator CLARK. Dr. Sayre, it is difficult to set up any basis of comparison between what we might call concessions in American trade barriers and concessions that we have obtained in exchange for them, because ours are practically all tariff reductions, while theirs constitute not only tariff reductions but quota allotments and import restrictions of every character and description.

Mr. SAYRE. That is quite true.

Senator CLARK. So it is very hard to arrive at an absolutely comparable basis.

Mr. SAYRE. I think it is practically impossible to do so.

Senator TAFT. Isn't it also true that each one of our treaties affect imports from 50 countries, maybe, whereas it may be that the concessions only affect one nation? Does the favored-nation clause extend to the reduction to England, for instance, and equally to Sweden at the same time?

Mr. SAYRE. We give equal treatment to countries which give the same treatment to us.

Senator TAFT. The 1,180 is the number of individual items, but they are reduced to many different countries?

Mr. SAYRE. Yes. We follow, for the most part, a single-column tariff. We always have, ever since Washington's administration. We try to treat countries all alike if they are not discriminating against us.

The CHAIRMAN. I would like to go back to another question asked you by Senator Vandenberg.

Mr. SAYRE. Yes.

The CHAIRMAN. Under this act have we at any time placed a quota on imports from certain countries if we thought they were acting unfairly toward our trade?

Mr. SAYRE. We have imposed what is called tariff quotas. That is, we have in certain cases reduced the tariff only for a limited amount.

The CHAIRMAN. Of commodities coming in?

Mr. SAYRE. Of commodities coming in.

The CHAIRMAN. You did that to protect American industry?

Mr. SAYRE. To protect the American producers in competition with the foreign imports.

The CHAIRMAN. Do you recall any instances in which that occurred?

Mr. SAYRE. In cattle we have done that. We have done it to a great many.

The CHAIRMAN. To a great many?

Mr. SAYRE. Yes.

Senator TAFT. Do those quotas apply only to the reduction of the tariff? If they pay the full tariff rate may they still ship outside of the quota?

Mr. SAYRE. Yes, sir.

Senator VANDENBERG. Dr. Sayre, you spoke about the British agreement. May I ask, for my information, if you recall it, whether the British agreement binds crude rubber on the free list?

Mr. SAYRE. I think it does, as far as I remember.

Senator VANDENBERG. So that that binds all crude rubber from any nation which does not discriminate against us on the free list?

Mr. SAYRE. So far as rubber is concerned. Of course, you are thinking about our synthetic rubber plants, and their protection. Now, when rubber was bound on the free list, of course, we were very anxious to get imports of rubber into this country as cheaply and in as large quantities as possible. We were also anxious to stimulate the growth of rubber in foreign countries so that we could get it in here. Since that time the war came on and we began building up these synthetic rubber plants. The interest of those synthetic rubber plants is certainly an interest which we must consider, which we must concern ourselves about.

We do not yet know, because the whole industry of synthetic rubber is still so young, we still do not know whether synthetic rubber plants will need assistance or not. We will not know really for some time longer. When the time comes, we will then have to take into consideration whether or not the Government shall give that assistance, and if so in what form that assistance should be, whether in the form of tariffs or otherwise.

Senator VANDENBERG. Whom do you mean by "we," when you say "we shall give consideration"?

Mr. SAYRE. The Congress.

Senator VANDENBERG. Yes, but after you have bound rubber on the free list it is bound there forever, unless the President takes it off.

Mr. SAYRE. Yes, but, Senator, my whole point is when the time comes to determine that question then we will have to determine whether, let us say, there should be a tariff, whether there should be Government subsidies, whether other forms of aid should be given or not. If it does become evident that a tariff is the proper way to deal with the matter, then we will have to consider the possible modification of the trade agreements. That is something that will have to be brought under consideration. The whole point is we do not know yet whether synthetic rubber plants will need assistance.

Senator VANDENBERG. I agree with that. I am trying to visualize the process set down textually in this law which we are asked to extend, and it seems to me under the text of this law the question of what shall be the ultimate destiny of these synthetic rubber plants is entirely at the mercy of the Presidential wisdom indefinitely, unless Congress wants to exercise a right which Senator George says is inherent in it, and which you agree is inherent in it but which, so far as the text of this law is concerned, is not recognized, and, on the contrary, is very definitely discouraging, to put it mildly. That is the point at which our very profound disagreement arises. I do not see why it should arise, because I think you would agree that the decision as to the future of our synthetic rubber industry in this country is a legitimate subject for the total Government's decision and not just for the State Department's decision.

Mr. SAYRE. Well, of course, the whole drift of my remarks, sir, was that if Congress saw fit to secure the modification or termination of a trade agreement there would be nothing to prevent Congress passing a resolution and advising the President of that situation.

Senator VANDENBERG. But it would scare the world, you say, if we would announce that.

Mr. SAYRE. I think it would not increase your power, and I think it would be psychologically unfortunate to do so at this juncture.

Senator VANDENBERG. Do you think we scared the world when the Foreign Relations Committee of the Senate, by a unanimous bipartisan majority, notified the world that the promises made under article VII of the master agreements made under the Lend-Lease Act are in fact subject at all times to congressional review? Do you think that scared the world?

Mr. SAYRE. No, but I do not think those two cases are parallel, sir.

Senator VANDENBERG. I think they are parallel to this effect, that your State Department proudly points to article VII of these master agreements as illustrating the kind of objective you would like to reach through the use of reciprocal trade agreements.

The CHAIRMAN. This says the Government of the United States terminates it. This is the legislative power and not the executive agency, as I see it.

Senator DANAHER. May I ask some questions, Mr. Chairman?

The CHAIRMAN. Yes, Senator Danaher.

Senator DANAHER. I would like to have you help me, Dr. Sayre. Some of us who were not on the committee when this matter was up in 1940 need enlightenment. As I understand it, under the Constitution, the Congress in 1930, let us say, had tariff-making powers.

Mr. SAYRE. Yes, sir.

Senator DANAHER. It thereupon adopted what has come to be known as the Smoot-Hawley Tariff Act, which created certain standards by way of duties on various articles for import. In the first place, whenever you do grant a reduction of tariff up to 50 percent, you grant this reduction against the schedules of the 1930 tariff act, don't you?

Mr. SAYRE. That is generally correct.

Senator DANAHER. That is the yardstick?

Mr. SAYRE. Yes, sir.

Senator DANAHER. Now, then, we come along in 1934 and say, "regardless of whether the Congress does or does not have the tariff-making power, we are willing to name an agency to act in our behalf. That agency will be the Executive operating through the State Department, where there will be committees on reciprocity information, committees on reciprocal trade agreements"; is that correct?

The CHAIRMAN. May I go one step further? In the Tariff Act of 1930 we retained section 336 which gave to the President, on the recommendation of the Tariff Commission, the authority to raise or lower the tariff by not more than 50 percent. Then we came along with the Trade Agreements Act.

Senator DANAHER. All right. Now, in the Trade Agreements Act we did delegate to the State Department, or at least to the President on recommendation of the State Department, the power to make these trade agreements; is that not so?

Mr. SAYRE. Yes. That is, the delegation was to the President.

Senator DANAHER. Yes.

Mr. SAYRE. And the President, of course, constitutionally conducts foreign relations, I suppose, ordinarily through the Secretary of State.

Senator DANAHER. Yes.

Mr. SAYRE. In this particular instance with the assistance of the other named departments. You remember section 4 of the act?

Senator DANAHER. Yes. Now, then, when we authorized the execution of an agreement, we authorized that agency in our behalf to make an agreement for a period up to 3 years, did we not?

Mr. SAYRE. Yes.

Senator DANAHER. You could make it for a year, you could make it for 2 years, and in some cases you did just that, is that not so?

Mr. SAYRE. Yes.

Senator DANAHER. And the maximum was 3 years?

Mr. SAYRE. That is correct.

Senator DANAHER. Now, the agreement having reached a termination date by its own terms, we, nonetheless, said it could continue in full force and effect, subject to later termination only upon 6 months' notice; is that not so?

Mr. SAYRE. That, of course, is provided for in the act.

Senator DANAHER. Yes, but that is what they said?

Mr. SAYRE. Yes, that is, that the agreement may continue beyond the 3-year period, but always subject to termination on 6 months' notice.

Senator DANAHER. Now, then, within the 3-year period, unless there be discrimination by some foreign country against our imports from that country, or our exports to that country, is there any provision for termination of the agreement?

Mr. SAYRE. Yes, there is, sir. Under certain conditions; that is, there are what have been termed "escape clauses."

Senator DANAHER. What are some of those, to illustrate?

Mr. SAYRE. I will turn to the Mexican trade agreement and point to article XI.

Senator DANAHER. All right.

Mr. SAYRE. Article XI provides:

If, as a result of unforeseen developments and of the concession granted on any article enumerated and described in the schedules annexed to this agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles, the Government of either country shall be free to withdraw the concession, in whole or in part, or to modify it to the extent and for such time as may be necessary to prevent such injury.

Then the article goes on to prescribe how that shall be done, and giving to the other party the right to terminate the trade agreement in whole if necessary, if it cannot agree to the withdrawal of the concession.

Senator DANAHER. Now, then, suppose that these escape clauses do not become operative under the conditions prescribed as in article XI to which you referred, there is no power in the State Department to terminate an agreement, is there? In other words, you intend to bind the United States for not to exceed 3 years.

Mr. SAYRE. If I understand you correctly, Senator, both parties, when they make a broad agreement such as this, providing for reciprocal concessions and for equal and fair treatment, nondiscriminatory treatment, on both sides, hope and expect that the agreement will continue for an indefinite period.

Senator DANAHER. And do you at that point say that after we have delegated the President to act in our behalf, in the particulars to which we have had reference, and he does so, that the Congress can still pass some joint resolution or some act which would repeal or revoke the agreement that we have authorized you to make?

Mr. SAYRE. You mean before the expiration of the 3-year period?

Senator DANAHER. Yes.

Mr. SAYRE. I cannot conceive of Congress doing so. It would be, of course, a violation of international good faith.

Senator DANAHER. So would I think so, but do you think we have any such power to do it?

Mr. SAYRE. I would hesitate to say you have no power to do so. I cannot conceive of Congress doing so. Of course, Congress might conceivably have the power to direct the President to violate international good faith. Whether or not he has the power, I will refer that to some of the constitutional lawyers. I think that is academic.

Senator DANAHER. Now, let me go one step further, sir. Suppose we do not renew this trade-agreements program at all, and therefore that it terminates as of June 30, 1943, all the agreements which are still in force continue, do they not, under their own terms?

Mr. SAYRE. Yes, sir.

Senator DANAHER. Do they also continue for 6 months and beyond?

Mr. SAYRE. They continue until the expiration of 6 months' notice of termination.

Senator DANAHER. Now, for all agreements to be negotiated commencing July 1, 1943, and throughout the life of the extended act,



were we to extend it, if we put in a clause in our trade agreements thereafter negotiated that they shall be subject to reduction, or to termination as of a certain date, let us say 6 months following the cessation of hostilities in the present war, we then clearly would have reserved to ourselves the right, without a breach of international good faith, say, to revoke the agreements, would we not?

Mr. SAYRE. We would, but by the same token, Senator, we would also open the way to losing the advantage of that trade agreement so far as getting down trade barriers against American exports is concerned. We are deeply concerned in expanding and protecting our American export trade. One of the very great difficulties we had when we started negotiating these trade agreements was the welter of discriminations all over the world. We were trying to build protection for American goods sent abroad. For example, American goods had to pay in France a higher tariff than goods from other countries. American goods had to pay in Canada a higher tariff rate than goods from other countries. It was a terrific job to get those tariff rates down to a minimum applicable to American export goods. Now, by these trade agreements, we have secured, in the great majority of cases, improved treatment, including nondiscriminatory treatment for American export goods. Now, you terminate those trade agreements and at once you subject our export trade to high trade barriers and discrimination, and there has been such a tendency toward these during the past 10 years that I do not believe the American producers would look with favor upon the loss of trade and protection against discrimination.

Senator DANAHER. Now, let me ask you another series of questions. Over the past 10 years that the trade-agreements program has been in effect we have negotiated some 30 trade agreements, as I recall it.

Mr. SAYRE. Thirty-one, I believe.

Senator DANAHER. There have been only five of them in the last 3 years, as I recall it. That is substantially correct, anyway.

Mr. SAYRE. I think that is not quite correct. You say, 5 years ago?

Senator DANAHER. No; since 1940.

Mr. SAYRE. The last one, you mean, when it became effective or when it was signed?

Senator DANAHER. Since we last extended the Trade Agreements Act as of July 1, 1940, there have been only five, so far as I recall, up to date.

Mr. SAYRE. Six agreements; the Argentina trade agreement became effective November 15, 1941; the Cuban second supplementary agreement became effective January 5, 1942; the trade agreement with Peru, on July 29, 1942; the trade agreement with Uruguay, on January 1, 1943; that with Mexico, on January 30, 1943; the agreement with Iran was signed only last month and has not yet become effective.

Senator DANAHER. Now, then, the only one of those which could be said to implement previously existing trade agreements was the second supplementary agreement with Cuba?

Mr. SAYRE. That is correct.

Senator DANAHER. Have we at any time entered into other supplementary or extensory agreements with countries which had been bound to us prior to 1940?

Mr. SAYRE. There was a second trade agreement negotiated with Canada, and then there was a first supplementary agreement nego-

tiated with Cuba, which became effective December 23, 1939, a second supplementary—put it this way: A supplementary fox-fur agreement negotiated with Canada that became effective December 20, 1940, which replaced a previous supplementary agreement relating to fox furs, effective January 1, 1940.

Senator DANAHER. So that actually, Doctor, you say outstanding agreements to date have been running not only for 3 years or for the original term, whatever it was, but for the periods thereafter under this continued theory?

Mr. SAYRE. That is on the 6-months' notice possibility.

Senator DANAHER. Yes. Therefore, if we were to limit the power in this newly-to-be-extended act to the negotiation of agreements which would be subject to revocation, say, at 6 months following the cessation of hostilities, and put in a clause in the agreement to that effect, we most certainly could not then be said to be involved in any breach of international good faith; is that not right?

Mr. SAYRE. Of course, we would lose the protection that we want for our American export trade if we were to do that.

Senator DANAHER. If the war were to continue for the next 3 years, where there is no field of competitive commercial international trade, or at least a greatly retarded or reduced field, it would be practically an academic question anyhow, would it not?

Mr. SAYRE. I do not think so, because there would be a great deal of trade discrimination still which I fear we would suffer if we did not have the protection of our equality of treatment or most-favored-nation trade agreements.

Senator DANAHER. Is Russia discriminating against this country?

Mr. SAYRE. So far as Russia is concerned, we have an agreement with her, as you know.

Senator DANAHER. Is she discriminating against us any place?

Mr. SAYRE. No, sir. Of course, Russia does not have tariffs in the sense that other nations do. Russia, as you know, is on an altogether different basis. Russia's foreign trade is entirely carried on by the Government. However, I would say that Russia is not discriminating against American goods.

Senator DANAHER. Is Great Britain discriminating against American goods?

Mr. SAYRE. No; because we have this trade agreement with her.

Senator TAFT. Is that due to her satisfying the Empire preferences entirely?

Mr. SAYRE. Not entirely the Empire preferences. We have whittled the preferences down a considerable extent by the Canadian and by the United Kingdom trade agreements, but we have not altogether eliminated them.

Senator TAFT. If that is true then they do discriminate against us to some extent.

Mr. SAYRE. If you call Empire preferences a discrimination. Of course, so far as the most-favored-nation provisions are concerned, there have been fairly well recognized exceptions which all the world more or less recognizes as exceptions. Our trade with Cuba, for instance, is not strictly on the most-favored-nation basis, and neither are the Empire trading arrangements. There are certain fairly well recognized exceptions. The answer to your question is clear, that we have not eliminated the Empire preferences.

Senator TAFT. Is that what Mr. Churchill was referring to in the Atlantic Charter?

Mr. SAYRE. We have gone quite a long way by means of our trade agreements.

Senator DANAHER. Certainly the occupied countries are not involved in any commerce with us.

Mr. SAYRE. There is actually no commerce taking place now as between occupied France, the Netherlands, Belgium, and this country.

Senator DANAHER. It is equally true that approximately 65 percent of our total export trade already is bound under reciprocal-trade agreements with the countries with which we have already concluded agreements. Therefore, what I am coming to is this: That if there be any possible question of a lack of international good faith, were we to act for our own protection over the period that the war continues, and if in fact we could properly protect ourselves by inserting a clause in the agreements to be negotiated under this act, if it be extended, it would be the height of common sense, it seems to me, to accomplish that result.

Mr. SAYRE. But we would lose our guaranty of protection against barriers and discriminations to American trade.

Senator DANAHER. You mean they would not agree with us?

Mr. SAYRE. I mean if the trade agreement by which you protect your American trade is subject to termination on 6 months' notice, true enough you can abrogate the agreement, and so can the other power.

Senator TAFT. You have in all these agreements that they can terminate in 6 months and they have not terminated them yet, have they?

Mr. SAYRE. That is true.

Senator DANAHER. And further isn't it true that all exports today are under export licenses and hence under the control of the Government?

Mr. SAYRE. You mean exports from the United States?

Senator DANAHER. Yes.

Mr. SAYRE. I am unable to answer whether all of them are under export licenses or not.

Senator DANAHER. You cannot think of any that are not, can you?

Mr. SAYRE. No, I cannot.

Senator DANAHER. And the fact of the matter is that B. E. W. is passing upon about 8,000 such applications a day; is that not so?

Mr. SAYRE. So far as I know.

Senator DANAHER. And they therefore decide what exports there will be and to what countries they will be made, and so we have it within our complete power on that basis and throughout the period of the war at least, to protect ourselves in that field.

Mr. SAYRE. But we cannot protect against foreign discriminations and trade barriers unless we have these agreements. That is my point, sir.

Senator DANAHER. Do you know of any foreign nation today which does not want goods from the United States?

Mr. SAYRE. Well, yes. There are plenty of countries that restrict, or would restrict, the importation of American goods.

Senator DANAHER. If we had anything to export and were exporting, and if there were commercial competition with other nations

which normally are our competitors but are not now because of the war, you could add all that, could you not?

Mr. SAYRE. Yes.

Senator DANAHER. Dr. Sayre, it seems to me that the interpretation that has been suggested by some of my colleagues here to the effect that the Congress has some overriding power to revoke an outstanding agreement to which our good faith is pledged because we permitted you to make it, it just is not so, and I do not believe the law today will permit that.

Mr. SAYRE. I wonder if there would not be some misunderstanding, Senator.

Senator DANAHER. I hope there is.

The CHAIRMAN. Cannot we terminate treaties?

Senator DANAHER. We can terminate treaties.

The CHAIRMAN. Have not we terminated treaties?

Senator DANAHER. I say without breach of international good faith.

The CHAIRMAN. No, I do not admit that. Did not we terminate our commercial treaty with Japan?

Senator DANAHER. Yes, but we did it in accordance with its terms. We gave a notice of 6 months, did we not, Doctor?

Mr. SAYRE. Yes.

Senator DANAHER. I wish we had done it a lot earlier.

The CHAIRMAN. Why was notice given?

Senator DANAHER. Dr. Sayre perhaps can tell you that.

Mr. SAYRE. Because we were bound by treaty, as I remember it, with Japan.

The CHAIRMAN. Congress took action, that is, it asked that it be done.

Senator VANDENBERG. That was a treaty; that was not a trade agreement.

The CHAIRMAN. I understand. If you can terminate a treaty, you can terminate one of the trade agreements, if you want to do it. The whole point is this, as I see it: There would be no point in making a trade agreement if you do not make it for some definite period. That is, you hope that the arrangement will be mutual, helpful, and beneficial, that it would go on. But every one of these agreements in the law definitely provides after the 3 years the trade agreements shall be subject to termination thereafter upon not more than 6 months' notice.

Senator DANAHER. That is after 3 years, as the Senator says.

The CHAIRMAN. Yes. Do you want to make the trade agreements and terminate them within the 3-year period?

Senator DANAHER. I do not know. I am trying to find out from Dr. Sayre.

The CHAIRMAN. If you do, you do not want to make any at all, that is all I have got to say.

Senator DANAHER. That does not follow.

The CHAIRMAN. It does follow.

Senator DANAHER. Let us see if it does. If we extend the power for 3 years, up to the three hundred and sixty-fourth day of the third year, you would have the power to negotiate a new agreement which would bind us for 3 additional years; would it not?

Mr. SAYRE. That would be possible.

Senator DANAHER. Yes.

Mr. SAYRE. Of course, that is not likely in any way. I cannot conceive of two governments doing that kind of thing, but I suppose it would be legally possible.

Senator TAFT. Why not? Many governments broke the former treaties and made new ones.

Mr. SAYRE. If this trade agreement is presumably satisfactory and if the desire of both governments is to continue the agreement, I see no reason why they should break it.

Senator TAFT. Conditions always change, and you may want to make a new one.

Mr. SAYRE. Why make a new one?

Senator TAFT. Because conditions may change so much that you may want a new one dealing with different products, and it seems to be reasonable to make a new one.

Senator DANAHER. Or you may want to make a new one with a country with which at this moment you have none.

Mr. SAYRE. That is quite possible.

Senator DANAHER. So that if we did incorporate into any extended program a clause to the effect that we have the power, without any breach of international good faith, to terminate as of a date, whatever that date be, not later than 6 months following the cessation of hostilities in the present war, we most certainly would be able to go to any economic discussions at the peace table unfettered and without our hands tied, without everybody being able to say, "You are already bound on these 1,180 schedules which you have already reduced."

The CHAIRMAN. How would we be bound if the other fellow is not bound?

Senator DANAHER. The other fellow is bound.

The CHAIRMAN. If the other fellow is bound and he wants to stay bound, that is up to him.

Senator TAFT. You said that the British treaty bound crude rubber on the free list.

Mr. SAYRE. I believe so, sir.

The CHAIRMAN. Crude rubber is on the free list?

Senator TAFT. Crude rubber is on the free list. Nobody wants anything now, but when conditions change we may want to protect the synthetic rubber industry. I do not say we do want to protect the synthetic rubber industry, but certainly we ought to have the power to do it. Now, it is true we can terminate the British agreement now in 6 months, but on July 29, 1942, you made an agreement with Peru in which I understand crude rubber is bound on the free list until July 29, 1945, which may be 2 years afterward, or a year after the war; is that not correct?

Mr. SAYRE. The initial period of the Peruvian agreement is for only 2 years, until July 28, 1944.

Senator TAFT. That Peruvian treaty is still within the 3-year period and you may make a new agreement with some other country producing rubber up to 3 years from now, which would extend the Peruvian treaty for 3 years from that time; that is the thing that concerns me. I am concerned about having the right to terminate that even at the end of the war or make the 3 years 1 year. If the 3 years had been 1 year, I do not think any of these agreements would be different from what they are today.

Mr. SAYRE. Of course, Senator, in addition to being able to terminate or renegotiate these agreements on comparatively short notice if made advisable by future developments, any future agreements will include appropriate safeguarding and escape clauses along the lines of the provision in the recent Mexican agreement which says that "If as the result of unforeseen developments and of the concession granted on any article enumerated and described in the schedules annexed to this agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles \* \* \*."

Senator TAFT. The fact you are going to have a lot of crude rubber when the war ends, that is not unforeseen, you cannot apply the escape clause to rubber. That is only an example. I do not want to make an issue particularly of rubber, but I am pointing out that you are tying our hands when after the war, for a period of 2 or 3 years there may be many things we cannot do that I think we ought to have the power to do, perhaps. I do not know; I am not sure.

Mr. SAYRE. Of course, Senator, in the making of trade agreements we try to be very careful about just that kind of thing. That is, we do not want to tie our hands in a way which may prove injurious, and on the other hand we do want the other fellow bound, insofar as it is possible to bind him, to grant favorable treatment to American goods and not to discriminate against them.

Senator TAFT. My feeling is in the post-war economic conference, or deal, or trade, whatever you may call it, the United States would be at a very considerable advantage. I do not think we will have any trouble getting anybody to agree to treat our commerce in a nondiscriminatory way, except the Axis, and we can make them do it.

Mr. SAYRE. I am not sure.

Senator TAFT. We hope.

Senator DANAHER. Let me ask just a couple of questions and then, with my very real thanks for your courteous cooperation, I will desist. The other questions I have are these: First, do you feel it is of the utmost importance that we achieve an international currency stabilization?

Mr. SAYRE. I think that is part of this whole problem of post-war trade. Without stabilization trade will suffer, but without trade stabilization will be useless even if possible. I think they fit in together, and are part of the larger picture.

Senator DANAHER. And therefore would we not be wise to relate the two in our thinking now, to the end that the reciprocal trade agreements program extension, or at least the life of the agreements, be related to some post-war international stabilization?

Mr. SAYRE. I think they are both foundations for this whole structure of post-war trade, if I get your idea, sir.

Senator DANAHER. Yes.

Mr. SAYRE. That is, if you do not have stabilized currencies, you are not going to have the kind of trading which will stimulate and build up employment, which are needed to help solve post-war economic problems.

If you do not have stabilization trade will suffer and yet, on the other hand, if you do not have trade stabilization will be meaningless. One depends on the other. They go together.

Senator DANAHER. Thank you. There is a related factor that it seems to me we ought to be informed about. Particularly, before we actually entered the war there was an increasing tide of information coming to my notice that American capital was seeking investments abroad, industrializing in areas where the manufacturers particularly could be free of the restraint of the Wagner Act, social security and unemployment compensation and all the other protections which our statutes give to American workers. Now, such capitalists are short-sighted, in my opinion, in their efforts to escape the impact of laws for our domestic welfare, but they were, nonetheless, able to exploit foreign labor and get production at very inferior rates, pay your reciprocal trade agreement duty and still, with the transportation costs included, set their articles of commerce down on our shores to be sold in our domestic markets. In fact, some of them were keeping alive their domestic plants for 6 months, throwing their employees off on W. P. A. for the other 6 months, giving the work to their employees abroad.

Mr. SAYRE. You are referring to the branch plants?

Senator DANAHER. Yes. Have you given attention to that phase of our problem?

Mr. SAYRE. We have, sir. Of course, as I need hardly point out, the growth of branch plants was much stimulated by these high trade barriers. That is, people were driven into branch plant building and operation because of the very difficult trade barriers. Now, so far as our experience is concerned, there is a limit to that building of branch plants. The exchange control restriction is one such limitation. That is, many American firms which built branches abroad found that because of exchange control restrictions they could not bring their profits back to this country. Again, there were increasing political uncertainties of one kind or another. So, while that branch plant building presented a problem some years ago, I think the problem is not quite as active now because of present conditions as it was, but it is a problem which we certainly must recognize.

Senator DANAHER. Are you able to tell us to what extent American capital has industrialized on the branch plant basis?

Mr. SAYRE. I believe the Department of Commerce did have some figures, sir. I do not have them at my fingertips. I know a study was made of it.

Senator DANAHER. Thank you very much, Doctor.

Senator WALSH. Dr. Sayre, has there been any analysis made of these individual agreements? Are there data available to show what particular commodities have had an increase in exportation and what particular commodities from other countries have had an increase in importation?

Mr. SAYRE. We have made a very careful study, sir, which we went into at great length before the Committee on Ways and Means.

Senator WALSH. It seems to me it would be helpful if there was available a report on each commodity or each agreement. Say that the result of 5 years' operation of this treaty shows that we have exported so many automobiles more than we did before, and there have been imports from this country of a particular commodity in larger volume, it would be helpful to have a report of that kind.

Mr. SAYRE. I would be very glad to insert some tables in the record, Senator. I have them here. Of course, what we have tried to do is

not simply to show the increase in exports, which would not tell the whole story because there was an increase all over the world in the export of American goods, both to trade-agreement and non-trade-agreement countries, but our figures show how much greater is the increase of American exports to countries with which trade agreements have been made as compared to countries with which no trade agreements have been made, and all of those figures are very, very striking.

Senator WALSH. I will be glad to have you put them in the record. Those figures relate to the total number of agreements and do not relate to individual agreements?

Mr. SAYRE. Yes.

Senator WALSH. You cannot say that as the result of our agreement with Cuba, for example, there has been this increase in exports and then an increase in imports of a particular commodity, can you?

Mr. SAYRE. Yes; and I will be glad to insert those in the record, if you like.

Senator WALSH. I would like to see an analysis of these various treaties for the purpose of determining how much we benefited from foreign trade and how much these other countries have benefited by their exports into this country, or our imports from their countries.

Mr. SAYRE. Of course, you understand, Senator, if you simply show the figures of American exports to Cuba, that does not tell the whole story. In the tables to which I have referred there are figures of American exports to all countries during certain years.

Senator WALSH. It might help to dissipate the argument somewhat that the net operation of these treaties is to increase imports to the disadvantage of American industry.

Mr. SAYRE. I would be very happy to insert them.

(The following statement was subsequently submitted by Mr. Sayre:)

(Reprint from Commerce Reports of February 17, 1940—issued by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce)

#### RESULTS UNDER THE RECIPROCAL TRADE AGREEMENTS PROGRAM DURING 1939

Prepared by the Trade Agreements Unit, Bureau of Foreign and Domestic  
Commerce

There are given below tables showing the trade of the United States with trade-agreement countries and non-trade-agreement countries in 1939 compared with 1938, as well as the average for the post-agreement years 1938 and 1939 compared to the average for the pre-agreement years 1934 and 1935. In addition to a summary table showing total trade with the two groups of countries, detailed statistics are given covering trade with the agreement countries and the principal nonagreement countries individually.

During December 1939 total United States exports reached the highest monthly figure recorded since March 1930. The increase was particularly marked in exports to the agreement countries, and as a result the statistics for the full year 1939 show an increase of 8.1 percent for this group compared with 1938, whereas for 11 months the increase was only 4.9 percent. In the case of the nonagreement countries, a decrease in exports of only 4.5 percent is shown for the full year, compared to the decrease of 7.9 percent shown for 11 months.



TABLE 1.—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	-4.6	\$ 992	\$ 1,306	+314	+31.7
Total, all countries.....	3,094	3,177	+83	+2.7	2,208	3,130	+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.....	1,960	2,318	+358	+18.3	1,851	2,139	+288	+15.6

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

TABLE 2.—United States trade with individual trade-agreement countries—1934-39

[Values in millions of dollars]

Trade-agreement countries (in order of effective dates)	Dates effective	Exports, including reexports						General imports					
		1934 and 1935 average value	1938 and 1939 average value	Percentage change	1938 value	1939 value	Percentage change	1934 and 1935 average value	1938 and 1939 average value	Percentage change	1938 value	1939 value	Percentage change
<b>Total, trade-agreement countries</b> .....		757	1,232	Percent +62.8	1,738	1,901	Percent +8.1	774	942	Percent +21.6	1,155	1,387	Percent +20.1
Cuba.....	Sept. 3, 1934	63	79	+49.8	76	82	+7.0	92	105	+14.9	106	105	-7
Belgium.....	May 1, 1935	54	71	+30.7	77	65	-16.1	33	52	+59.1	42	63	+51.8
Haiti.....	June 3, 1935	3	4	+31.3	4	5	+41.1	1	3	+151.6	3	3	+2.2
Sweden.....	Aug. 5, 1935	36	80	+125.7	64	97	+50.5	38	44	+16.1	45	42	-6.4
Brazil.....	Jan. 1, 1936	42	71	+69.5	62	80	+29.8	96	103	+7.3	98	107	+9.8
Canada.....	do	313	481	+53.6	468	493	+5.5	259	300	+15.8	260	340	+30.7
Netherlands (including overseas territories) <sup>1</sup> .....		75	170	+126.4	168	171	+2.3	93	135	+45.3	124	145	+17.2
Netherlands proper.....	Feb. 1, 1936	50	97	+93.4	97	97	+0.08	35	30	-12.6	31	29	-8.0
Netherlands Indies.....		10	31	+200.8	28	35	+28.9	46	81	+74.4	69	93	+35.2
Netherlands West Indies.....		14	41	+192.0	43	38	-10.3	11	20	+87.8	21	20	-4.3
Switzerland <sup>2</sup> .....		Feb. 15, 1936	8	15	+82.1	11	19	+75.6	16	27	+70.4	23	31
Honduras.....	Mar. 2, 1936	6	6	+4.1	6	6	-7.6	7	6	-9.2	6	7	+23.5
Colombia.....	May 20, 1936	22	46	+111.5	41	51	+25.5	49	49	+8	49	49	-8
Guatemala.....	June 15, 1936	4	8	+93.2	7	9	+25.0	5	10	+89.5	10	11	+12.6
France (including colonies) <sup>3</sup> .....	do	127	174	+36.4	148	199	+34.4	68	76	+11.7	71	81	+13.8
France proper.....		116	158	+35.7	134	182	+35.8	60	58	-2.3	54	62	+15.5
Nicaragua.....	Oct. 1, 1936	2	4	+43.3	3	4	+53.1	2	3	+20.8	2	3	+17.1
Finland.....	Nov. 2, 1936	6	13	+110.2	12	13	+12.1	11	19	+83.1	18	21	+14.3
El Salvador.....	May 31, 1937	3	4	+29.1	4	4	+18.3	4	6	+69.0	6	7	+22.7
Costa Rica.....	Aug. 2, 1937	3	8	+179.9	5	10	+79.6	3	4	+41.2	4	3	-21.3
Ecuador.....	Oct. 23, 1938	( <sup>4</sup> )	( <sup>4</sup> )	-----	3	6	+78.2	( <sup>4</sup> )	( <sup>4</sup> )	-----	3	4	+36.0
United Kingdom.....	Jan. 1, 1939	( <sup>4</sup> )	( <sup>4</sup> )	-----	521	505	-3.0	( <sup>4</sup> )	( <sup>4</sup> )	-----	118	150	+26.6
Newfoundland.....	do	( <sup>4</sup> )	( <sup>4</sup> )	-----	8	9	+16.2	( <sup>4</sup> )	( <sup>4</sup> )	-----	7	9	+31.3
British colonies.....	do	( <sup>4</sup> )	( <sup>4</sup> )	-----	71	72	+1.1	( <sup>4</sup> )	( <sup>4</sup> )	-----	161	208	+28.9
<b>Total, nonagreement countries</b> .....		992	1,306	+31.7	1,336	1,277	-4.5	772	868	+12.5	806	931	+15.6
<b>Total, all countries</b> .....		2,208	3,136	+42.0	3,094	3,177	+2.7	1,851	2,139	+15.6	1,960	2,318	+18.3

<sup>1</sup> These figures include Surinam (Dutch Guiana), the trade with which is too small to warrant individual listing.<sup>2</sup> United States statistics show only a small portion of the actual exports to Switzerland, most of which are transhipped through third countries and are shown as exports to those countries. Therefore, too much significance should not be attached to the statistics of exports to Switzerland.<sup>3</sup> These figures include all French colonies. Only France proper is listed separately.<sup>4</sup> Countries with which agreements have been concluded but where the period during which the agreements have been in effect is too short to justify inclusion for purposes of comparison.<sup>5</sup> The apparent discrepancy shown by these figures in comparison with other totals is due to the noninclusion 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.

U. S. DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC COMMERCE.

TABLE 3.—United States trade with individual nonagreement countries, 1934-39  
[Values in millions of dollars, except those in parentheses, which are in thousands of dollars]

Nonagreement countries	Exports, including reexports						General imports					
	1934 and 1935 average value	1938 and 1939 average value	Per-cent- age change	1938 value	1939 value	Per-cent- age change	1934 and 1935 average value	1938 and 1939 average value	Per-cent- age change	1938 value	1939 value	Per-cent- age change
Total, nonagreement countries.....	902	1,306	+31.7	1,399	1,278	-4.5	772	898	+12.6	806	931	+15.6
Mexico.....	60	73	+20.4	62	83	+34.1	30	53	+33.4	49	50	+14.9
Panama (including Canal Zone).....	20	29	+45.7	24	33	+33.0	5	4	-14.2	4	4	+3.5
Dominican Republic.....	5	0	+20.7	0	7	+19.0	4	0	+32.0	0	0	+1.4
Venezuela <sup>1</sup> .....	10	57	+201.7	52	62	+18.0	22	22	+5.1	20	24	+17.9
Argentina.....	40	70	+71.5	87	71	-18.1	47	61	+29.1	41	62	+52.1
Uruguay.....	0	5	-17.2	5	5	+2.3	0	7	+21.5	5	5	+67.3
Bolivia.....	4	5	+24.7	5	5	-10.4	(201)	1	+45.4	(860)	2	+134.0
Peru.....	13	20	+60.5	25	27	+8.0	24	34	+40.8	28	41	+44.1
Chile.....	11	18	+63.8	17	19	+13.0	7	13	+93.0	13	14	+8.9
Austria <sup>1</sup> .....	2			(740)			3			1		
Czechoslovakia.....	3	15	+405.7	27	4	-85.8	10	15	+22.6	20	4	-94.0
Denmark.....	13	24	+80.4	20	24	+3.8	3	4	+35.9	3	4	+14.1
Germany <sup>1</sup> .....	100	77	-23.0	107	47	-65.8	73	68	-20.2	65	52	-18.7
Hungary <sup>1</sup> .....	(423)	3	+61.4	3	3	+1.3	2	4	+95.5	4	4	+19.2
Ireland.....	7	18	+154.3	27	10	-64.8	(933)	1	+107.7	(038)	2	+74.5
Norway.....	12	27	+119.9	23	32	+42.3	17	10	+11.7	10	22	+88.2
Poland and Danzig <sup>1</sup> .....	22	20	-9.1	26	10	-35.2	8	12	+63.1	13	11	-14.3
Union of Soviet Socialist Republics <sup>2</sup> .....	20	63	+217.8	70	57	-18.7	15	25	+62.7	24	25	+4.1
Italy.....	64	59	-14.5	58	59	+1.0	37	22	-40.8	41	49	+20.3
Portugal.....	9	10	+11.8	11	10	-8.0	4	5	+34.2	4	6	+50.0
Spain.....	40	20	-50.8	12	27	+118.0	10	10	-60.2	9	10	+11.4
Greece.....	0	7	+28.0	8	6	-20.0	0	10	+103.7	15	22	+60.3
Rumania.....	3	0	+92.0	0	0	-1.5	(640)	2	+279.1	1	2	+3.0
Yugoslavia.....	(697)	3	+241.0	2	3	+20.5	3	5	+61.4	4	6	+42.0
Iran.....	4	7	+68.0	9	4	-61.4	3	4	+10.2	3	4	+35.0
Turkey <sup>3</sup> .....	4	11	+200.0	13	8	-37.1	7	10	+159.0	10	20	+4.6
British India (including Burma).....	29	41	+40.4	30	47	+31.1	59	65	+7.1	59	67	+14.1
Philippine Islands.....	50	93	+86.0	80	100	+15.7	92	93	+7.7	94	92	-2.5
China.....	53	45	-15.3	35	50	+40.7	54	54	+7.7	47	62	+30.8
Kwantung.....	4	16	+300.0	17	16	-8.0	3	2	-54.0	2	2	-4.9
Japan.....	207	236	+13.8	240	231	-3.4	130	144	+5.8	127	181	+27.2
Australia.....	50	65	+30.1	69	62	-10.8	12	12	+1.8	9	15	+71.1
New Zealand.....	14	20	+42.9	23	17	-29.5	8	9	+11.4	7	11	+71.0
Egypt.....	0	14	+67.3	13	14	+4.0	0	0	-34.0	5	7	+47.2
Morocco.....	3	3	-4.9	3	3	-6.0	(736)	1	+90.2	1	1	+5.7
Union of South Africa.....	49	70	+41.7	70	69	-1.4	3	22	+566.3	16	29	+70.7
Other nonagreement countries.....	23	34	+60.6	33	35	+5.9	10	27	+73.0	23	31	+36.0

<sup>1</sup> For statistical purposes, trade with Austria beginning May 6, 1938, and trade with the Sudetan area beginning Nov. 10, 1938, as far as ascertainable, has been included with Germany, while trade with the other Czech-Slovak Provinces occupied by Germany, Hungary, and Poland has been included with these countries since Mar. 18 or 19, 1939.

<sup>2</sup> Reciprocal trade agreements with Turkey and Venezuela, became effective on May 5 and Dec. 16, 1939, respectively.

<sup>3</sup> Since Aug. 6, 1939, a commercial agreement has been in effect between the United States and the Soviet Union under which the latter country expressed its intention to purchase annually American goods to the value of at least \$40,000,000 and, on its part, the United States undertook to accord to the commerce of the Soviet Union unconditional most-favored-nation treatment.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands of dollars. Sources: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

On the side of imports, both groups of countries also improved their position during December. Imports from trade-agreement countries for the full year 1939 show an increase of 20.1 percent over 1938, compared to the increase of 17.5 percent shown for 11 months, and imports from nonagreement countries for the full year show an increase of 15.6 percent, compared to the increase of 13.2 percent shown for 11 months.

In the analysis of trade with the agreement and nonagreement countries during the first 11 months of 1939, which was published in Commerce Reports of January 20, 1940, appropriate comments were made on the important changes that had taken place in the composition and direction of the foreign trade of the United States during that period. With few exceptions, these comments are equally applicable to the 12-month period, most of the tendencies previously shown having continued throughout December.

In the latter month exports of aircraft were valued at \$28,900,000, compared to only \$5,700,000 in the same month of 1938, the total increase for the year compared to 1938 having been \$48,700,000. Exports of iron and steel semimanufactures, including scrap, and of advanced iron and steel manufactures also showed heavy increases in December, which brought the total increase shown by these groups for the year up to \$57,700,000 against an increase of \$39,800,000 for 11 months. For metal-working machinery, the increase in exports for the year was \$15,800,000, compared to the increase of \$12,700,000 for 11 months, and for lubricating oils \$22,100,000 compared to \$14,700,000. Exports of passenger cars and motortrucks and accessories continued to decline in December, showing a decrease of \$18,100,000 for the year, compared to the decrease of \$12,300,000 for 11 months.

In the case of agricultural products, exports of raw cotton for 11 months were \$9,800,000 below the corresponding period of 1938, but the exceptional increase of \$24,700,000 shown by December exports left a net increase of \$14,900,000 for the full year, compared to 1938. Also, in the case of corn, December shipments were somewhat above the December 1938 level, thereby slightly reducing the decrease that had been shown for the 11 months' period.

On the side of imports, the only major products showing an appreciably greater rate of increase during December than appeared for the first 11 months of 1939 were crude rubber and tin. For the full year, rubber imports increased \$48,500,000 over 1938, whereas for 11 months the increase was \$34,500,000, while tin imports increased \$25,700,000, against an increase of \$17,000,000 for 11 months.

Senator WALSH. There is another question along this line. If two particular industries are operating in this country making entirely different commodities, and if you undertake to make an agreement with a foreign country, do you consider that one industry is not of major consequence and another is of major consequence to our country, and do you as a result make concessions to the foreign country as against the smaller or lesser important industry in order to get an increase in exports from this country of the other industry?

Mr. SAYRE. Our viewpoint, Senator, is entirely a national viewpoint. That is, we do not believe that it is our business to favor one section of the country or one section of industry as against another; we try to be absolutely impartial, absolutely fair. Now, what we try to do, and I think we have succeeded in doing, is to lop off these excessive tariffs in ways which will not injure any branch of American industry, American agriculture.

Senator WALSH. I heard you say that before, but is not that the exact point with the rest of the countries, in negotiating with them, that they do not want to increase exports from this country in competition with their industry, and you are seeking to prevent imports from another country that may be in competition with goods produced here? Is not that their same point of view, and therefore do not you have to reach a conclusion whereby you say this industry is not as important as another industry and therefore make concessions?

Mr. SAYRE. I do not think so, Senator. Our whole effort is to lower those unjustifiable trade barriers which are not of profit or advantage to anybody.

Senator WALSH. You are seeking, as they are seeking, to increase exports?

Mr. SAYRE. To increase the foreign trade.

Senator WALSH. To increase the foreign trade with this country. They are seeking to increase foreign trade with their countries, are they not?

Mr. SAYRE. We are seeking to increase foreign trade, both exports and imports, under such conditions as not to injure competing domestic producers.

Senator WALSH. It is a pretty delicate position that you are in, I think.

Mr. SAYRE. I agree with you. The Senator knows that.

Senator VANDENBERG. A good deal depends upon the point of view.

Mr. SAYRE. A good deal depends on how it is administered. I think if the Secretary of State was a man who played politics or who began favoring one section of the country as against another, then it would be a disaster.

Senator VANDENBERG. If he were a free trader on the one hand and you had a high protectionist on the other, you would have a totally different administration of the act, would you not?

Mr. SAYRE. I think the proof of the 9 years' experience, in which we have actually increased American foreign trade, both exports and imports, strikingly and noticeably, as the statistics show, without injuring any branch of American industry or agriculture, is the proof of the pudding and shows that this program has been a practical program, the most practical program for increasing trade and building a system of nondiscrimination throughout the world that this country has ever adopted.

The CHAIRMAN. Doctor, let me ask you a question. Some of our farmer friends have made the flat assertion that there have been reductions in duties on their products, that is, the products produced by them, but not a single reduction of duties on articles which the farmer bought, that is, on imports.

Mr. SAYRE. I am not sure that I catch your point, Senator.

The CHAIRMAN. For instance, the statement has been made that all the reductions were against the farmer and in favor of the manufacturer, that the reductions, let us say, on corn, or any other farm commodity, that many of them had been made under these trade agreements, but that there had been no reduction of anything which was brought in, which the farmer did not produce and which he used.

Mr. SAYRE. That, I think, is based on a total misunderstanding of the facts, sir. I have figures before me which disprove that strikingly. Of course, there were assertions which were banded about that farmers were suffering because of great imports of corn, because of imports of wheat, and various other named commodities. Many of these we have not touched in our trade agreements, have not lowered the duty on them. Now, there is again the assertion principally heard that the trade-agreements program is selling agriculture down the river.

The CHAIRMAN. Yes; I heard that.

Mr. SAYRE. As you look at the statistics you see what the actual facts are. Of course, American agriculture is peculiarly dependent upon increasing foreign markets for agricultural surplus. Take our cotton, take our wheat, take our rice, take our tobacco, and so forth, and so on, we have great surpluses which must be sold abroad. The whole underlying problem really of American agriculture is how to find foreign markets for those agricultural surpluses. Now, one of

the objectives of the trade-agreements program, of course, is to increase foreign markets for American exports. I have before me here figures which show the increases in exports of American products.

Senator TAFT. Is that the farm products?

Mr. SAYRE. I am going to read both farm products and nonfarm products, to answer the question. These figures show the comparison between the 2-year average, 1934-35, as compared to 1938-39. Now the increase of exports of agricultural products has been 49.9 percent to trade-agreement countries, and to non-trade-agreement countries it has been a 26.4-percent decrease. That is to say, to the trade-agreement countries we secured agricultural outlets to such an extent that the agricultural exports increased practically 50 percent, whereas to the non-trade-agreement countries the agricultural exports decreased 26.4 percent. In other words, to those trade-agreement countries we secured increased outlets for agricultural goods to the extent of the percentage that I gave you.

The CHAIRMAN. I understand that.

Senator TAFT. Mr. Chairman, I just question that conclusion. The figures do not prove anything, because we do not know what countries they are, why they took them, why they increased or why they decreased. Unless you study the whole question, it does not seem to me that any of these figures of what has gone to trade-agreement or non-trade-agreement countries proves anything.

Mr. SAYRE. If statistics are properly chosen I agree you can prove almost anything by them, but may I give you my word from multitudinous angles we have found that the trade has actually increased to trade-agreement countries strikingly more than to non-trade-agreement countries. We have all kinds of statistics on that.

Senator TAFT. In increasing imports to this country, I notice the figures I have seen show from 1923 to 1928 an average of about \$4,000,000,000 of imports into the United States, and with all the trade agreements we never got up beyond an average of about \$2,400,000,000 before the war. You are comparing those figures with 1934-35, but suppose you go back to 1927-28, then you would show a great decrease in all countries in the export of agricultural products, is not that correct?

Mr. SAYRE. I think so, sir. Just let me verify that. I have the figures here, the figures on agricultural exports and imports, if I can turn my finger to it.

The CHAIRMAN. Doctor, the point I was trying to get at was simply this, that the farmer has been informed that the duty has not been changed at all on anything that he buys. Is that a correct statement?

Mr. SAYRE. No; that is not true, sir.

Senator TAFT. I do not want to go into this, Mr. Chairman. I withdrew the question. Put in the record whatever you like.

Senator DAVIS. Mr. Chairman, I would like to ask a question.

The CHAIRMAN. All right, Senator Davis.

Senator DAVIS. Most of the questions I was about to ask have been asked here by other distinguished gentlemen, but I would like to know this: In your statement you made at the opening of your address here before the committee, to the effect that a number of trade unions, you said, have endorsed your program, and labor men have endorsed your program, I would like to know who they were.

Mr. SAYRE. William Green has, sir. He made a statement before the Ways and Means Committee on behalf of the A. F. of L.

Senator DAVIS. He did make that on behalf of the A. F. of L.?

Mr. SAYRE. I believe so.

Senator DAVIS. I understand he just made it for himself personally, and that the executive council of the A. F. of L. that represents the organization throughout the country is directing one of their members to come here and testify that they are opposed to the trade agreements.

Mr. SAYRE. I think his statement speaks for itself, sir.

Senator DAVIS. I looked into the record before the House, I read the number of questions. The only other trade organization I could see, that made any statement before the committee, is the Waltham, Mass., Watch Workers Organization.

Senator TAFT. You mean the labor side of it?

Senator DAVIS. The labor side of it; yes.

Mr. SAYRE. The C. I. O. group also testified.

Senator DAVIS. Who was it testified for the C. I. O.?

Mr. SAYRE. They made a statement. I will correct that. They made a statement but did not appear.

Senator DAVIS. Did they sign the statement?

Mr. SAYRE. I do not know.

Senator DAVIS. There is another question I would like to ask. There has been submitted to me—and, of course, it does not apply now to Japan, because we are at war with Japan, but a tariff reduction of 50 percent levied on imports from England, the wages came between 65 and 70 percent, and in some other countries from 30 to 35 percent, as against comparable imports the wages, for instance, in Japan were only about 10 percent of the wages in this country. That great difference seems to me discriminates against the workers in the United States. I am referring to similar countries to Japan. The question I propounded here was in regard to Japan when we were not at war with each other—in normal times. The favored-nation clause with Great Britain would apply to Japan just as well, would it not, with that differential in wages, as I pointed out to you awhile ago? I saw in 1938 the most modern sheet and tin-plate mill in the world producing tin-plate there, where the wages were at a differential of 25 to 30 and 40 percent.

We know you make it in Pittsburgh, we know you make it in Chicago and other cities, but we know that the transportation from these mills that I have in mind is very little to get to the seaboard, and the transportation from Britain to New York City into that particular market is cheaper than it is by paying freight on it to go from Pittsburgh down to Chicago. That same thing applies to the Pacific coast, to the canning industry on the Pacific coast. I do not know what you would do under those circumstances, and I would appreciate it very much if you would tell me whether you have got escape clauses to provide for those things that will be favorable to us?

Mr. SAYRE. If I understand correctly your question, Senator, it is, How can we protect the American standard of living against cheap oriental labor, against goods made by cheap oriental labor?

Senator DAVIS. That is right; with this differential that I pointed out to you.

Mr. SAYRE. Beg pardon?

Senator DAVIS. With this differential in the wages.

Senator TAFT. And under the most-favored-nation clause.

Senator DAVIS. Yes; under the most-favored-nation clause. That is the one thing that disturbs me about the reciprocal trade agreements. Like Senator Taft said, and some of the other members, I would like, inasmuch as we are in a war, to get some sort of a picture, some sort of foundation in order to vote for this bill when it comes on the floor of the Senate, but I cannot do it when the workmen of America are going to be put in jeopardy.

Mr. SAYRE. Of course, so far as Japan is concerned, Japan is out of the running now, but I understand your question.

Your question is really how can we afford to extend the most-favored-nation treatment to countries which have oriental, cheaply paid labor making goods in competition with American goods.

Senator DAVIS. That is right.

Mr. SAYRE. I think the answer, Senator, is this, that although the money wages are manifestly higher in this country than in oriental countries, and although the American standard of living is higher, manifestly, in this country than in oriental countries, yet in order to determine the problem which you put one must estimate the cost in labor hours of a unit of production. For instance, if in America we can produce, let us say, a given unit by far less labor hours than in Japan that same unit can be produced, then we can afford to pay our labor far more than the Japanese and yet undersell their product.

Senator DAVIS. Yes; but if the Japanese have the same modern machinery that we have, and they work the same number of hours to produce it, and there is that great difference in wages, that is the point I want to get at. Let us omit Japan now, and take Britain, for instance, with Britain producing at a differential of 35 or 40 percent in wages.

Mr. SAYRE. Of course, in Britain you have a much higher paid labor than in Japan.

Senator DAVIS. That is correct, but even assuming that now.

Mr. SAYRE. Yes. Let me go back to Japan just a moment, and then I will come back to Britain.

Senator DAVIS. All right.

Mr. SAYRE. Even in Japan where labor was paid a few cents a day, do you remember that at times America actually exported rice and sold it in Japan? Why is it that America can sell on international markets, world markets, goods in competition and undersell the products of the labor of oriental countries? Isn't it because through our mass-production methods in America, through our greater amount of capital, through our great natural resources, through our inventiveness and the genius of American labor, we can produce with far less labor hours the same products that are produced in other countries, and by producing them with far less labor hours we can pay that lesser number of laborers higher wages, higher real wages, and yet undersell the product?

Senator TAFT. Dr. Sayre, I absolutely deny the fact that you stated. That simply is not true. You take the branch plants, they were established by American capitalists and they could undersell our own plants and bring the stuff in here. You said it was being discouraged because there were exchange difficulties, that they could not get the profits into this country, but supposing the capital of England does the same thing, the capital of Japan or the capital of



somewhere else buys from us this mass-production machinery, surely they can undersell us.

Mr. SAYRE. They have not undersold us in commodity after commodity which one might name.

Senator TAFT. They haven't gotten to that point where they need to. Russia set up some modern plants, but they needed all the output for Russia.

Mr. SAYRE. In world markets one could name commodity after commodity where foreign competition, with all the cheaply paid labor, has not been able to undersell us.

Senator TAFT. That is only because they have not gone ahead on this global theory. We are going to help them now to obtain all the modern machinery and put the people to work.

Mr. SAYRE. Even when they do I still bank on the American genius.

Senator TAFT. As long as the people will accept a lower standard of living it seems to me the competition will be against us. Take this simple example that they ran into down in Puerto Rico. We raised the minimum wage of the Puerto Ricans who were engaged in the needlework industry, and they immediately moved their plants, which do not take a great deal of capital, and there is absolutely no way to maintain the needlework industry in Puerto Rico in time of peace, and they do not have anything like our standard of living—I think they are only paid half of the United States minimum wage—and they cannot do it in competition with the Philippines and China. There is a case where the labor is just as good in China and the Philippines as in Puerto Rico.

Mr. SAYRE. The needlework is very fine in China.

Senator TAFT. I do not see how we can hope to get the effect of our minimum wage laws and other measures to increase our standard of living unless we at the same time protect them against foreign competition.

Mr. SAYRE. Of course, it all depends upon specific facts relating to the trade, the industry, and the needs and characteristics of the particular branch of production.

Senator TAFT. All I want to say on this is that we do not want really to argue the general free trade and protection question here.

Mr. SAYRE. No.

Senator TAFT. All of us are willing to say during the war the tariff is uncertain; I mean it has very little effect. I do not want to be understood by not raising the questions as agreeing to a great many of the statements that you made in your opening statement. I just want that on the record.

I do want to ask one other thing. As I say, the question as to who shall revoke these treaties that we have discussed has taken a good deal of the discussion, but it seems to me we are getting ourselves in a serious situation in this post-war conference if we leave in there that 3-year provision with power to make a binding treaty for 3 years after the war. I do not see what would be the disadvantage of making the treaties for a period of 1 year and indefinitely on until revoked. If the act originally had been for 1 year, don't you think it would have worked out exactly the way it has worked out?

Mr. SAYRE. Of course, that is a suppositious question. What we have been trying to do in this trade-agreement program has been to

build another method of international world trading to reduce trade barriers and discriminations which were engulfing the world during the 1930's. Unless we build on that principle of reduced barriers and nondiscrimination, equal treatment to all, I think we are going to get back again into the morass that drove us, as I see it, into the Second World War.

Senator TAFT. I understand that, but if you made it revocable at the end of 6 months after the cessation of hostilities, that is no more than suggesting another escape clause in your agreements practically, because conditions in the post-war period are so different from what they are today, what they have been in the past. We ought to have the right to revoke those treaties when those conditions do change as they will necessarily, within 6 months after the war.

Mr. SAYRE. But I am awfully eager to bind those foreign nations to this more liberal economic nondiscriminatory system of trading. If you make these agreements terminable 6 months after the war you may again get into this avalanche of trade restrictions that were built up following the First World War.

Senator TAFT. You say you are not going to renew them, but if they can revoke a great bulk of the treaties 6 months after the war they can revoke them now on 6 months' notice, unless you are contemplating making all the treaties over so as to tie up all the countries just before the end of the war.

Mr. SAYRE. We are not, sir; we are not. I think if Congress now provided that trade agreements should be terminable 6 months after the making, you would make less firm the ground for this more liberal system, this nondiscriminatory system of which I spoke, and which I think is the essential and all-important basis upon which to build the peace settlements.

Senator TAFT. I have only one other question, Dr. Sayre. Secretary Hull in the House testified that reductions made this far affect 63 percent, or nearly two-thirds of our dutiable imports, and that the 63 percent that had been affected had been reduced by 43 percent. In other words, the 63 percent of items have been reduced to 57 percent of normal. Don't you think if we continue this very long it practically is equivalent to reducing the tariff 50 percent on the Smoot-Hawley rates, and are not we rapidly reaching the point, and is not that the practical effect, the ultimate effect, of the trade-agreements programs, as far as we ourselves are concerned?

Mr. SAYRE. If that can be done without injury to the American domestic producers, then I would go with you. I know that it is not in Secretary Hull's mind to take steps which would result in injury to American domestic producers.

Senator VANDENBERG. How about Henry Wallace?

Mr. SAYRE. Who?

Senator VANDENBERG. Henry Wallace.

Mr. SAYRE. I do not believe, and I do not think the Vice President believes, that the act means 50-percent free trade.

Senator DAYIS. Dr. Sayre, don't you think that the productive powers now in these countries, especially those that we are at war with, Germany and Italy, the small industrial works that Italy has, and Japan, and especially in the Manchurian district of China that the Japs have taken over, and Manchuria which they are modernizing, when they are prepared to go in operation, will not the competition

be more keen and the American wage system will be sort of jeopardized when they can produce in competition with us, unless we have the proper protection here for them?

Mr. SAYRE. I do not believe so, sir. I believe at the end of the war the enemy countries will be in a state of utter collapse, and I think it will be some time before they can produce in a way which will compete heavily against our own country.

Senator DAVIS. Japan has some of the most modern mills, and also some of the small mills in which they can operate, and with their great differential in wages, if we are going to try to pacify them after this war is over, I do not see how we can compete at all on the Pacific coast. Then what would the people do on the Pacific coast, and what would the people do up in other parts of the country? Henry Kaiser started a good deal of work out there, and the Bethlehem Steel in Seattle, and these other developments on the Pacific coast, I do not believe they will have a chance at all to compete with the competition they will have from Asia.

Mr. SAYRE. I think, sir, it will be some time before the enemy countries after the war will be able to enter into competition, because I suspect they will be in such utter collapse. I am speculating. Nobody knows. It depends on how the war ends, how rapidly the enemy collapses.

Senator DAVIS. You probably have been through the industrial works in Germany.

Mr. SAYRE. I have been in Japan, too.

Senator DAVIS. I know I have been in practically every large industrial organization in Germany, and I know their machinery is equal to the machinery that we have in the United States. I do not know what their productive powers are now, I am informed that they are not equal to the United States now.

Mr. SAYRE. Of course, as you know, sir, neither with Germany, nor with Italy, nor with Japan were we able to make trade agreements before the war broke out, because they were unwilling to go with us in this nondiscriminatory structure that I have so often been referring to. Whether they will after the war I do not know. If they do, it will be a great thing gained, and if they do not there will be no making of any agreement with them.

Senator DAVIS. Competition was great with Japan on the question of producing even an American flag. If you attended a dinner they presented you with an American flag, and if you turned the corner of it up you saw "Made in Japan." If we cannot compete with them in making our own flags, what are we going to do in the other lines of business?

Senator MILLIKIN. Mr. Chairman, may I ask a question, please?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. Dr. Sayre, I think most everyone within constitutional limitations and possibly other safeguards, would like to see a better state of world cooperation after this war is over. Now, it seems to me that we have several chips in that game. We have gold, we have silver, we have armies in the field, we will have certain moral inspirations to offer, we will also have trade relations. Why should we put those chips out on the table before we know who is going to play in the game, what the cards are going to be? Why should not we preserve some sensible limitation that will enable us to

sit there and trade with the hardest trades in the world, with our chips in our hands, where we will not get ready to commit them until we know what the game is going to be, who is going to play the game and what the hands are that the various people hold?

Mr. SAYRE. My own feeling is that we ought to insure our position as against the kind of thing following the Second World War which followed the First World War. You remember what a tremendous wave of economic isolation, economic nationalism swept the world following the First World War.

Senator TAFT. I do not care about that. It seems to me 1920 was a very cooperative period, with higher trade than we ever enjoyed at any time before or since, and a marked participation in America in the Dawes plan, in the Young plan, in every possible way to work out the economic problems of Europe. I dispute the premise on which this whole story is based.

Senator MILLIKIN. It seems to me, Doctor, if this system is a helpful system it is mutually helpful, and therefore it is something that is highly desirable by the other parties to the trade, and therefore it is a card or a chip that we have to play, and it seems to me we should not precommit that card, we should not precommit that chip prior to the time that we know what the game is, who is going to sit in it, the cards and the chips that they have in their hands.

Mr. SAYRE. Yes; but don't you believe that American export trade should be so guarded against the kind of discriminations which were built up against it following the First World War?

Senator MILLIKIN. I am just pursuing the premise that I started out, that world cooperation is desirable, that we should retain within our own hands every instrumentality for achieving it at the time that we can achieve something, if it can be achieved, and that that is one of the cards, one of the blue chips.

Mr. SAYRE. My point is that we have got to build up this system of economic cooperation if we are going to win the peace which follows the Second World War. Now, to do that, to secure economic cooperation we have got to agree on nondiscrimination as against foreign goods just as we ask for nondiscrimination as against American goods.

Senator MILLIKIN. Doctor, I should like to suggest, as hateful as the thought is, that the time may come at the peace table when we might say we will not cooperate with this, that or the other nation with whom we now have trade treaties unless they do so and so and so, and we refuse to cooperate.

Mr. SAYRE. And that refusal to cooperate, I greatly fear, would set the stage for the kind of history which followed the First World War.

Senator MILLIKIN. I suggest that we do not go into that peace conference with sanctions; we will get nothing out of it. I say this is one of our sanctions.

Mr. SAYRE. I think nobody is arguing against sanctions, but I think entering into agreements against discrimination, agreements for fair treatment all along the line of international trade, against the kind of discriminatory practices which helped to set the stage for the Second World War, unless we build the stage for cooperation and fair treatment, unless we insure our position, we are running grave dangers of repeating the mistakes which were made following the First World War.

The CHAIRMAN. If there are no other questions, Doctor, we thank you very much.

Senator BUTLER. Mr. Chairman, just one or two very simple questions.

The CHAIRMAN. Senator Butler.

Senator BUTLER. We have, I think, 30 or 31 agreements, so far as we are concerned with, and all of them carry the so-called favored-nation clause. Is that right, Doctor?

Mr. SAYRE. Yes; except for the Cuban agreements, they all contain the most-favored-nation clause.

Senator BUTLER. Now, is there, on the part of the other contracting parties, uniformity in that respect?

Mr. SAYRE. Absolutely.

Senator BUTLER. And any treaty that they make with us is applicable to all the others on their part?

Mr. SAYRE. These trade agreements provide that there shall be no discrimination of one against the goods of the other, that there shall be equality on both sides. I will read them to you if you are interested. The same provisions are applicable to both sides.

Senator VANDENBERG. That is not the question.

Senator BUTLER. No; I am not asking that question.

Take the treaty with the Argentine, if we agree on a certain rate on a certain article and Argentina is shipping the same article to several other countries, do they make the same rate to them they make to us? Are they obliged to do that?

Senator VANDENBERG. They generalize the same as we do.

Mr. SAYRE. Yes; these provisions are to the effect that all the commodities covered in the schedule shall be admitted at such and such a rate, and that the rate shall be no higher than that charged against similar goods from any other country.

Senator VANDENBERG. I do not think that is an answer to the Senator's question.

Mr. SAYRE. Maybe I did not get it.

Senator VANDENBERG. If we grant to Argentina a favor, we have to generalize to all the favored nations, don't we?

Mr. SAYRE. Of course, we do under our policy, we do to everybody who does not discriminate against us.

Senator VANDENBERG. Is Argentina required to generalize to everybody else the advantages, say, that come to us in a given trade?

Mr. SAYRE. If she makes a reduction in a tariff rate to an American commodity, for instance, she cannot grant a lower rate to another nation without violating the agreement.

Senator VANDENBERG. Does she have to give that same reduction to everybody else?

Mr. SAYRE. Might she charge a higher rate against some other country?

Senator VANDENBERG. Yes.

Mr. SAYRE. That is a matter of policy, whether she chooses to do so.

Senator BUTLER. That is the part I was trying to get at.

Senator TAFT. Do you know what the policy is with these different countries? How many of them take the same position as the United States?

Senator BUTLER. Is there any single one of the 30 nations that follows the same policy that we do in that respect, or are we the only one?

Mr. SAYRE. No; the great majority of nations follow the most-favored-nation policy.

Senator BUTLER. They do as regards to us. Now, our agreements are made by executive action which is not subject to legislative approval but to executive approval. How many of the 30 nations execute the agreement with us in a like manner, and how many of them are subject to legislative approval?

Mr. SAYRE. There are very few of them in which the parliament has granted to the executive such powers as are granted by Congress to the President under the Trade Agreements Act. In many of the nations you have parliamentary responsibility. In the case of no trade agreement has there been any refusal by the other power to approve the agreement as negotiated. In every one the parliament has given ratification or sanction of the agreement where needed. That, of course, is very different from our constitutional set-up. In our country, as you know, very few, in fact in our whole history only three tariff treaties have secured Senate ratification and actually entered into effect.

Senator TAFT. Won't you make it four, the cut in the Second Canadian Treaty? The Canadians may not have approved it but we did.

Mr. SAYRE. Yes.

Senator BUTLER. Now, as to the cancelation clause, we have spent most of the day here talking about our power to cancel.

Mr. SAYRE. These escape clauses, you mean?

Senator BUTLER. Yes. If Argentina, or some of the other 30 nations, wanted to cancel, is it the same proceeding with them as with us?

Mr. SAYRE. Yes.

Senator BUTLER. They could give a 6-months' notice to quit at any time?

Mr. SAYRE. Yes. The provisions are reciprocal on both sides.

Senator BUTLER. We do not think any the less of them because they have got that privilege.

Mr. SAYRE. The trade agreement itself provides that either party shall, on 6 months' notice have the right to terminate after the running of the 3-year or other initial period.

Senator VANDENBERG. I suppose it is an axiom in your thinking, Dr. Sayre. When you constantly repeat Congress has heretofore been reluctant to ratify some of these ancient trade agreements, I suppose it is an axiom in your thinking that any time Congress plans to ratify a trade agreement it is wrong?

Mr. SAYRE. No; I haven't for one moment passed on the wisdom or the propriety or the justice of these failures to ratify. What I have said has simply been that as a practical method for getting things done experience does not seem to show that it has worked too well. I was just looking at the question of what is practicable.

Senator VANDENBERG. From your viewpoint.

Mr. SAYRE. No; from the point of view of expanding foreign trade. I do say that not much foreign trade has been expanded by treaties ratified by the Senate in the past 100 years. I do say American foreign trade has been strikingly expanded and promoted by trade agreements in the last 9 years.

Senator VANDENBERG. At least it has been expanded during the last 9 years, you say?

Mr. SAYRE. It has been expanded during the last 9 years much more rapidly with the trade-agreement countries than with the non-trade-agreement countries.

Senator VANDENBERG. They are the only countries with which we have much trade anyway.

Mr. SAYRE. No, sir.

Senator TAFT. I want to ask you in regard to your table. That has reductions relating to 1934-35. They are related also to the time that these treaties went into effect, and how much of this increase occurred before the treaties went into effect and how much afterward?

Mr. SAYRE. The comparison is of trade in 1938-39 with trade in 1934-35, when only a few agreements had become effective.

Senator TAFT. The figures are in the House record, are they?

Mr. SAYRE. They are, sir. Then, we have comparisons also as between 1939-40, and a lot of different comparisons, sir.

Senator TAFT. I wonder if, for instance, you had 1934-35, and then the treaty was made in 1937, whether you claimed all the increase in 1934-35 up to 1937 as well as that after 1937, or whether the figures are based on what happened since the making of the treaty.

Mr. SAYRE. The figures compare total trade with agreement and nonagreement countries in 1938-39, during which period 16 agreements were in effect, with such trade in 1934-35, when only a few agreements had been entered into.

Senator MILLIKIN. Mr. Chairman, may I ask one more question?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. In this question of injuring the domestic producers, that is a relative test, is it not?

Any time you allow a comparative product to come into the country there is injury to the domestic producer?

Mr. SAYRE. No, sir.

Senator MILLIKIN. Will you explain that?

Mr. SAYRE. There are many goods that we do not produce in this country.

Senator MILLIKIN. Take a parallel product, one that we do produce in this country.

Mr. SAYRE. There again it depends on your markets. I think there is a very current misconception that markets are static or fixed, and that whenever a competing foreign product comes in you bar or eliminate an equal amount of American labor which might have been employed in the production of that product.

Senator MILLIKIN. Is that not true, unless there is a shortage?

Mr. SAYRE. That is quite a misconception, Senator. Markets repeatedly expand and contract. There have been some very striking figures which the Tariff Commission gathered showing that as trade expands, as you have increased exports and imports, so money wages to industrial workers increase, so employment increases, so agricultural income increases, and that when, on the other hand, your foreign trade drops off, as it did between 1929 and 1932, at the same time your employment drops off, your money wages drop off, your incomes to the agriculturists drop off. I have charts here which show in a striking way the correlation between those factors.

Senator MILLIKIN. I do not want to go into the charts. But do those charts show that where there is a surplus of a given product on

our domestic market that an importation of the same product does not injure our domestic producer?

Mr. SAYRE. If there is a surplus? The point I am trying to make is when you have brisk trade, unhindered by trade barriers, that is the time your mills run, your domestic sales increase, your foreign imports and exports increase.

Senator MILLIKIN. I admit if there is a shortage you might not have a demonstrable injury if we have imports, but I am asking you if you have anything to show if there is a surplus the importation of a comparable product into this country does not injure our domestic producer. If you have I certainly would like to see it.

Mr. SAYRE. Of course, when you have the surplus you do not get the importations. Surpluses mean depressed prices ordinarily. You are not going to have foreigners shipping goods in with depressed prices.

Senator MILLIKIN. It depends entirely on the differential.

Mr. SAYRE. There may be exceptional cases, but ordinarily it seems to work that way.

Senator MILLIKIN. So that injury, in your thinking, may be, you might say, a relative term?

Mr. SAYRE. I would say so in the ordinary case of imports. In the first place, a great quantity of imports are noncompetitive, as you recognize of course. Competitive commodities of imports are not likely to be great, if you have a surplus domestic production.

Senator MILLIKIN. The imports themselves could create a surplus.

Mr. SAYRE. Of course, there may be imports which do injure, and that is the kind of thing which we are trying to prevent under the operation of the trade agreements.

Senator MILLIKIN. Does not the importation of any parallel product tend to create a surplus in the market?

Mr. SAYRE. It all depends on the local condition.

Senator MILLIKIN. So that injury to business may be entirely relative, such as cutting a man's five fingers off as distinguished from slashing his throat from ear to ear.

Mr. SAYRE. In the trade-agreements program we try not to make concessions which are injurious. That is painstakingly done.

Senator MILLIKIN. I hope you remember that the next time I come around to argue the wool situation with you.

The CHAIRMAN. If there are no further questions, Doctor, we thank you very much.

Are there any other witnesses who desire to be heard?

Senator VANDENBERG. There are some witnesses who may desire to be heard, Mr. Chairman, depending upon developments.

The CHAIRMAN. I mean who are in the room here now.

Senator VANDENBERG. Yes, sir; there are some in the room, but I do not think they wish to be heard this evening.

The CHAIRMAN. I think the only thing is to meet tomorrow at 10 o'clock. If there is to be testimony given tomorrow morning it will have to be restricted a good deal, and any witness who may wish to do so will have the privilege to file a brief with the committee. The committee will be glad to have it.

(Whereupon, at 4:45 p. m., an adjournment was taken until 10 a. m., Tuesday, May 18, 1943.)



# EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

TUESDAY, MAY 18, 1943

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

The CHAIRMAN. All right, gentlemen, the committee will come to order.

Senator WALSH. Mr. Chairman, I would like to put a telegram in the record, if I may, received from the International Jewelry Workers Union, American Federation of Labor, of Waltham, Mass., in opposition to this bill. Since this telegram is very important, I would like to read it to the members of the committee, if I may.

The CHAIRMAN. Yes, Senator Walsh.

Senator WALSH (reading):

MAY 17, 1943.

Senator DAVID I. WALSH,  
*Senate Office Building, Washington, D. C.:*

See by newspapers that Senate Finance Committee voted in executive session to hold one-sided hearings by allowing only Government agencies to testify before committee on extension of reciprocal trade pacts; 293 members of our union fighting in armed forces to preserve principles of democracy; 2,600 members of our union are faced with loss of their jobs by transfer of their job opportunities to Switzerland. Over 5,000,000 watches imported during 1942 into this country; this is four times the output of all American watch factories during 1942. Our members 100 percent on war work providing timing instruments and timing devices for our armed forces. Congressional record of Friday, May 7, carries statement in it quoting Milo Perkins, Director of Economic Warfare, stating that "all steel and brass going into Swiss watches are imported from Germany." American public by allowing Swiss watches to come into this country made of steel and brass from Germany are helping Hitler finance his war. Our union unanimously voted Monday, May 10, to do everything in its power to bring about legislation that would force importers to make importer's landed cost equivalent to cost of American competitive production. Our executive committee unanimously voted this noontime to urge you have Senate Finance Committee reconsider its undemocratic action of not allowing us to present our case to your full committee. Appreciate any support you may give us in this fight for the existence of our job.

WALTHAM WATCH WORKERS UNION, No. 72,  
*Affiliated with the International Jewelry Workers Union of American Federation of Labor,*

By WALTER W. CENERAZZO,  
*President and Business Agent.*

The CHAIRMAN. Is there any witness present who wishes to be heard?

61

**STATEMENT OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION**

The CHAIRMAN. Mr. Holman, we would appreciate it if you would not repeat the arguments that are already in the record in the House, because we have them before us.

Mr. HOLMAN. I will endeavor not to do so, sir. I only want to speak directly to one point.

The CHAIRMAN. Yes, sir.

Mr. HOLMAN. My name is Charles W. Holman, 1731 I Street, Washington, D. C. I am secretary of the National Cooperative Milk Producers Federation. That, Mr. Chairman, is a Nation-wide organization of dairy cooperatives owned and controlled exclusively by the farmers who reside in 41 States.

I desire to appear this morning on just one point in connection with the proposed legislation, and that is in support of the principle of termination of the agreement by the will of Congress in the post-war period at some convenient date, like 6 months after the close of hostilities. Our people, as you know, Senator, have been deeply concerned in this legislation ever since the beginning of it in 1934. They feel that there are some great and basic principles of government involved which go far beyond the realm of statistics. The statistical measurement is impossible to obtain with any degree of accuracy at the present time.

Everybody knows that the price effect of the one thousand one hundred-odd duties that have been cut under this program will not be felt until after the war. Even if they were felt at the present time we would be more interested in the question of a return to what we believe the constitutional process than the tariff effect itself.

However, I would like to file with the committee some material here that is very short, that I did not present before the Ways and Means Committee of the House, on the point of what the State Department sometimes called the triangular effect of these trade agreements. In the 3-year study which we made and laid before the committee we showed that so far as the then 21 agreements were concerned with the 21 countries, the balance of trade was just about equal, but when the generalization feature was added to these trade agreements, the United States Government, our people, came out very distinctly in the red in the balance of trade.

Now, the most interesting example of that is a study which we have just completed to show how Japan, which has not signed any trade agreement with us, has benefited by the existence of the other trade agreements. This study covers the imports into this country for the year 1939 which, as Dr. Sayer will tell you, is the last year where any data are reliable. It shows that Japan shipped us in imports on which duties were reduced through other trade agreements, \$15,828,000 worth of goods; on bound duties, \$6,847,000, and the value of imports which were not affected or which were free amounted to \$131,207,000, and imports on which the status of the duty was questionable, \$3,693,000.

Now, Mr. Chairman, the point is this: These imports from Japan were somewhat greater than the entire imports from France and all of her colonies, and France is one of the countries that entered into trade agreements with us. I would like to file the entire table for the record, sir, with your permission.

The CHAIRMAN. Yes; you may do so.  
(The matter referred to is as follows:)

MEMORANDUM TO MR. HOLMAN

MAY 5, 1943.

Subject: An analysis of the effect of the trade agreements program on imports from Japan in 1939.

1. Total imports from Japan in 1939 amounted to \$161,095,302.
2. Two hundred and twenty-three commodities, valued at \$25,000 or more each, represented a valuation of approximately \$157,000,000, or 97 percent of the total.
3. Raw silk which came in free and was not affected by the trade agreements program amounted to approximately \$107,000,000.
4. An analysis of the remaining \$50,000,000 worth of items, worth more than \$25,000 each, shows the following:
  - (a) Duty reductions on 15.8 millions.
  - (b) Duty bound on 6.8 millions.
  - (c) Status of duty questionable, due to valuation and other qualifications, on 3.7 millions.
  - (d) Value of remainder, not affected by trade agreements, 23.7 millions.
5. In summary, of this \$157,000,000 total of imports from Japan in 1939, which represented 97 percent of total imports from Japan, all but 23.7 millions, or 15.1 percent, either came in duty free or had their duty status affected by the trade agreements program.

W. P. COTTON.

*Value of principal imports from Japan in 1939 including those on which duty concessions were made as a result of the generalization of trade agreements<sup>1</sup>*

[Thousands of dollars]

Group of commodities	Value of imports on which duties were reduced	Value of imports duty bound	Value of imports not affected or free	Value of imports status of duty questionable
Chemicals, oils, and paints	505		3,165	
Earthen, earthenware, and glassware	3,444		893	
Metals and manufactures of	49		191	
Wood and manufactures of	446		81	
Sugar, molasses, and manufactures of	27			
Agricultural products and provisions	2,651		5,596	
Spirits, wines, and other beverages	101		97	
Cotton manufactures	5,083		2,910	224
Flax, hemp, jute and manufactures of			144	
Wool and manufactures of	221		268	
Raw silk			106,949	
Silk manufactures			455	1,888
Manufactures of rayon or other synthetic textile	157		470	
Paper and books	238		465	
Sundries	2,816	6,847	9,523	1,581
Total	15,828	6,847	131,207	3,693
Grand total	157,675			

<sup>1</sup> The above table takes into account more than 97 percent of the imports from Japan.

Source: U. S. Tariff Commission, Washington, "United States Imports for Consumption of the Principal Commodities Imported from Japan," July 1941.

MR. HOLMAN. I want to say that we feel if these agreements continue unrestrained and unaffected by the advice and the consent of the Congress for another 3 years, making 12 years in all, that the principle of having one man control our foreign trade will be so imbedded into the Government that it may be difficult for Congress ever again to regain that prerogative. We feel also that when there is a return to free commerce, if ever, the only people in this country who are going

to like these trade agreements will be the international manufacturers who today prefer to put their plants out in countries of cheap production and bring their manufactured products in here at lower duties, and international bankers who finance the international manufacturers.

That completes my direct statement, sir, and I wish to thank the committee for its courtesy.

The CHAIRMAN. Thank you very much, Mr. Holman.

Is there any other witness present who wishes to appear before the committee?

#### STATEMENT OF FRANCIS A. ADAMS, NEW YORK, N. Y.

The CHAIRMAN. Did you appear before the Ways and Means Committee?

Mr. ADAMS. I did not, sir. I just wanted to be very brief, if I could, and submit for the consideration of the committee in printed form what I call a timetable of the tariff of the world.

It covers November 11, 1918, Armistice Day, when Great Britain, France, Italy, Japan, Canada, Australia, and all of the other nations that were joined together as allies in the World War were free to resume their individual courses as sovereign countries. They all took immediate steps intended to improve their own commercial status.

The United States of America did not make peace with Germany on November 11, 1918, as our country had declared war independently on April 6, 1917, and did not conclude a separate peace until July 1921.

The United States of America was the prize market for all of the world then and since. In 1920 the United States enacted the Emergency Tariff Act, popularly known as the Anti-Dumping Act, to protect this country to some extent from the flood of goods from all over the world.

In 1922 the Fordney-McCumber Tariff Act, the first general tariff act since the Underwood Tariff Act of 1913, in Wilson's first administration, was enacted. More than 60 percent of items in the Fordney-McCumber Act were on the free list. On the dutiable list, the average duty was less than 40 percent and billions of dollars worth of foreign merchandise entered this country.

In 1930, following 10 years of world-wide unsettled trade conditions and political upheavals, currency depreciations and complete failure of countries to pay even token installments on international debts, the United States of America, still the "Happy dumping ground" for all the world, revised its tariffs to protect, in some measure, American labor and industry and for the general welfare.

The Smoot-Hawley Tariff Act in 1930 corrected some flagrant inequalities in the duties. The bill still provided for the free entry of more than 60 percent of all items and on the remainder the average duty was under 44 percent. The Smoot-Hawley Tariff Act is still in force as the general tariff measure and under its 13 years of operation more than \$50,000,000,000 worth of goods have been imported.

In 1934 the Smoot-Hawley Act amendments gave emergency power to the President to cope with the world-wide depression. The Trade Treaty Agreement Act was part of the measure.

In 1937, and again in 1940, there was an extension of this with minor modifications, in an unlimited emergency, and the trade agreements were extended.

In 1943 these trade agreements are now up for reconsideration. The United States is at war against Germany, Italy, Japan, and their satellites. The Trade Agreement Act should be extended for the duration and a year beyond, as an emergency measure, with duties based on American domestic valuation, the only values we know.

This Time Table of World Tariff Changes shows that the United States of America has not led in restrictions, but, in fact, has followed with moderate changes, after other nations took action. We do not have to tie our hands again to prove we are good neighbors or that we are the world's greatest traders—the record proves it.

In the period 1922 to 1942 this country did a world business of \$128,000,000,000 in imports and exports.

Thank you, sir, for your courtesy.

The CHAIRMAN. All right.

### STATEMENT OF FREDERIC BRECKMAN, WASHINGTON REPRESENTATIVE, THE NATIONAL GRANGE

The CHAIRMAN. Did you appear before the Ways and Means Committee?

Mr. BRECKMAN. I did, yes, sir; but I am not going to repeat any of the testimony I gave over there.

Mr. Chairman, my name is Fred. Breckman and I am the Washington representative of the National Grange. Let me say that the National Grange has always been in favor of foreign trade under proper conditions. We have never been opposed to true reciprocity, by which we mean an exchange of goods or commodities on a basis that is mutually beneficial or advantageous. However, we have never been able to reconcile ourselves to the provisions of the Trade Agreements Act nor to the manner in which it has been administered.

The Grange opposed the enactment of this law in 1934 on the ground that the sweeping delegation of legislative authority it contains is wholly at variance with the American concept of government, and that it violated both the letter and the spirit of the Constitution. On each occasion when the act came up for renewal we opposed it for the same reason.

While this measure has already been disposed of by the House, we trust that before it is finally passed Congress may take steps to vindicate its ancient and fundamental right to be something more than a mere spectator in matters relating to the tariff and the formulation of our policies with reference to foreign trade.

We hold that any plan that robs the chosen representatives of the people of one of their most important functions, reducing them to impotency, and which wrongfully delegates this power in its entirety to the executive department of the Government, cannot be successfully defended as liberal, constitutional, or American.

While one of the declared purposes of the Trade Agreements Act was to develop an outlet for our farm surpluses, as the act has been administered it has had the opposite effect. Under the workings of this act, farm imports have greatly increased, while our exports of agricultural commodities have shown a sharp decline. During the 5-year period from 1936 to 1940, both inclusive, our food imports averaged nearly 250 percent of food exports.

With the permission of the chairman I would like to file some statistical matter in that connection, which sets forth the situation in some detail.

The CHAIRMAN. You may do so; yes, sir.  
(The table referred to is as follows:)

Record of annual imports and exports of food and beverage products by 5-year-average periods—1921-40 with ratio of imports to exports

[In thousands of dollars]

	1921-25	1926-30	1931-35	1936-40
<b>IMPORTS</b>				
00. Animals and animal products .....	80,271	125,084	54,734	90,761
A. Animals .....	5,500	15,372	2,708	15,536
B. Meat products .....	19,291	33,356	12,247	28,004
C. Animal oils and fats .....		180	309	661
D. Dairy products .....	28,114	31,700	13,167	13,013
E. Fish .....	29,274	36,711	24,442	30,819
F. Other .....	7,034	7,831	1,857	2,670
1. Vegetable food products and beverages .....	738,885	778,693	445,109	574,365
A. Grains .....	32,611	24,487	28,214	44,343
B. Fodders and feeds .....	7,990	14,796	6,600	11,318
C. Vegetables and preparations .....	26,272	40,677	17,914	10,413
D. Fruits and nuts .....	75,499	84,868	48,407	58,902
E. Vegetable oils and fats .....	13,901	15,565	11,992	17,593
F. Cocoa, coffee, and tea .....	263,109	355,795	178,797	191,968
G. Spices .....	13,742	17,577	9,553	12,501
H. Sugar and related products .....	303,617	223,199	122,629	152,530
I. Beverages .....	2,215	1,717	20,999	65,282
<b>EXPORTS</b>				
00. Animals and animal products .....	342,348	234,126	81,072	67,355
A. Animals .....	6,698	1,981	466	492
B. Meat products .....	139,833	77,988	28,723	26,409
C. Animal oils and fats .....	138,462	109,996	34,427	17,141
D. Dairy products .....	30,100	17,447	9,168	7,875
E. Fish .....	17,961	19,641	10,258	14,097
F. Other .....	9,293	6,772	1,029	1,837
1. Vegetable food products and beverages .....	674,083	519,651	171,057	226,272
A. Grains .....	474,262	318,670	55,392	104,621
B. Fodders and feeds .....	26,736	27,368	9,412	9,736
C. Vegetables and preparations .....	19,686	22,057	9,571	15,304
D. Fruits and nuts .....	82,808	122,234	84,798	76,111
E. Vegetable oils and fats .....	10,085	3,511	1,811	3,342
F. Cocoa and coffee .....	7,294	5,527	2,214	2,749
G. Spices .....	827	724	149	243
H. Sugar and related products .....	51,525	18,052	6,571	10,444
I. Beverages .....	1,399	1,610	1,139	3,720
Imports:				
00 .....	80,271	125,084	54,734	90,761
1 .....	738,885	778,693	445,109	574,365
Total .....	828,126	903,777	499,833	665,126
Exports:				
00 .....	342,348	234,126	81,072	67,355
1 .....	674,083	519,651	171,057	226,272
Total .....	1,016,431	753,777	252,129	293,627
Ratio imports of exports .....	81.4	119.8	198.2	226.5

Mr. BRECKMAN. As an illustration of the lengths to which we have gone in sacrificing the interest of the United States in negotiating these agreements, the concessions we made to the Argentine went into force 30 days after the exchange at Washington of the instrument of Argentine ratification and the proclamation of the President of the United States. But it was stipulated in the agreement that certain con-

cessions made to us should become effective only by "stages." Under this arrangement, it was agreed that on certain articles concessions made to us by the Argentine should not go into force until Argentine receipts from customs duties should exceed \$270,000,000 in any calendar year. That sum represented the average tariff revenues of the Argentine from 1931 to 1940. Under this plan, the "concessions" made to us by the Argentine on the particular articles in question have not become effective, although all of our concession went into force on November 15, 1941. We do not believe that Congress would have sanctioned any such lopsided arrangement as that.

Various amendments are being suggested to the Trade Agreements Act to protect the interests of the Nation and to bring this piece of legislation into some semblance of harmony with the Constitution. From the beginning, the National Grange has taken the position that these trade agreements are treaties in reality, and that they should be ratified by the United States Senate before taking effect. At the very least, the act should be so amended as to make it possible for Congress to disapprove by a majority vote of each House trade agreements deemed contrary to the best interests of the American people.

Under the flexible proviso of the Tariff Act, Mr. Chairman, as you all know, a citizen or a State was granted the right of court review, but under the Trade Agreements Act it specifically provided that this right is denied. We think that the right should be restored.

Now, in enumerating these two points we do not mean to imply that the act could not be greatly improved by amendment in other respects. We are well aware of the argument that is being raised to the effect that if we place any restrictions in this act it might be misunderstood by other nations. However, we are impressed by the fact that in the case of 25 of these agreements, 25 of the 30 that have been negotiated with other nations, they have been subject to parliamentary approval in the countries with which we dealt, but here in the United States, the greatest republic in the world, as we look at it, in violation of a fundamental law, Congress has not had a word to say about it.

We do not feel that any foreign nation should feel aggrieved or put the wrong construction on it if we make up our minds to live up to the Constitution and do what is necessary to protect the interests of the American people.

That is all.

The CHAIRMAN. Thank you very much.

Senator CONNALLY. May I ask one question?

Mr. BRECKMAN. Yes, sir.

Senator CONNALLY. Has the witness pointed out any abuses or serious consequences in the past treaties that have been hurtful to agriculture? If he has, he need not repeat it. I will check on that.

Mr. BRECKMAN. Senator Connally, before you came in I made reference to the fact that while it was expressly stipulated in the Trade Agreements Act as it passed in 1934 that one of the purposes was to develop an export market or foreign outlet for farm products, that as the act had been administered it had the opposite effect, that agricultural imports had been increased and exports had been decreased. So that in the 5-year period from 1936 to 1940, which we might consider normal times, our food imports amounted to about 250 percent of our food exports. Now, we do not believe that Congress had any say about the matter, and we do not believe that if

Congress had any say about it, it would have agreed to some of these treaties that brought about such a situation as that.

Senator CONNALLY. All right. Thank you. I will check your testimony.

Senator WALSH. I did not quite understand what you said about the treaty with Argentina, where the conditions to be imposed upon ourselves were put into operation immediately, but that the conditions that Argentina accepted are not yet in operation. Is that what you said?

Mr. BRECKMAN. Yes, Senator. As I tried to explain, there were certain commodities or goods that were set off in a separate block with the understanding that the concessions that Argentina was making to us would not take effect until the tariff revenues of Argentina should reach \$270,000,000. Their revenues have not reached that point, and therefore the concessions they have made to us have not become effective, although our concessions became effective in 1941 all the way through.

Now, I am not saying that that is true of everything that was covered by the Argentine agreement, but just certain commodities.

Senator DANAHER. One question, Mr. Chairman.

The CHAIRMAN. All right, Senator.

Senator DANAHER. Do you know anything about whether or not Argentina, since you have mentioned that republic, has maintained varying exchange rates as to American exports, particularly boots and shoes?

Mr. BRECKMAN. Will you please repeat that question? I did not quite get it.

Senator DANAHER. I will preface it this way: There is information to the effect that the Argentine Republic has imposed a series of varying exchange rates as to imports from the United States, particularly with reference to boots and shoes. Are you in possession of any information on that point? If not, why, we can pass it.

Mr. BRECKMAN. Well, the only thing I was trying to bring up before the committee was that particular item, you know. I might say, by the way, it is a very difficult thing to have a reciprocal trade agreement with a country like Argentina, because their surpluses are so much like our own surpluses. They have agricultural surpluses and so have we under normal conditions. So it is very difficult to arrange and exchange with Argentina without injuring the farmers of the United States.

I want to make it very clear that we have nothing but the best of good will for all these South American countries. I was merely pointing to this as an illustration of the lengths to which we have gone in our eagerness to negotiate trade agreements, whether it was advantageous to us or not.

Senator DAVIS. Are you of the opinion that other industries in our country have been benefited at the expense of the farmers by the reciprocal trade agreements?

Mr. BRECKMAN. Yes.

Senator DAVIS. Do you have a list of those that have been benefited by it at the farmer's expense?

Mr. BRECKMAN. Well, I do not have a complete list, but the material I am filing here, the statistical matter shows how the whole thing has worked. Does that answer your question?



Senator DAVIS. That answers my question; yes.

The CHAIRMAN. All right. Thank you, Mr. Brenckman.

Is there any other witness now that wishes to be heard and who has not appeared before the Ways and Means Committee?

Mr. WILSON. Mr. Chairman, may I make an inquiry? Are the hearings to be continued tomorrow?

The CHAIRMAN. No, sir. Everybody will be privileged to file a brief. There was a reservation in the order of the committee that anyone who had not appeared or who had new matter to present might do so, who was not before the Ways and Means Committee. This committee has no desire to cut off hearings. This matter has been before the Congress on three separate occasions, and just recently there has been a full hearing before the Ways and Means Committee.

Mr. WILSON. It just so happens, Mr. Chairman, that the people I am making the inquiry for, the wool growers, did not appear before the Ways and Means Committee. Mr. Marshall was not advised until Sunday that the hearings were to be held on Monday. He is the secretary of the National Wool Growers Association, and he left immediately and will be here tomorrow morning. He was not heard, however, before the Ways and Means Committee of the House, nor was anyone representing the wool growers directly.

The CHAIRMAN. Is anyone here from the wool growers who wishes to be heard?

Mr. WILSON. No. I represent the wool growers, but Mr. Marshall is the one who prepared the testimony.

The CHAIRMAN. We expect to be in executive session tomorrow morning. We will be quite glad to receive any brief or any written statement that they may wish to make.

Mr. WILSON. I just wanted to bring up the fact that it was impossible for him to be here any sooner, Mr. Chairman. Salt Lake is a long ways away from Washington. We did not have much notice of the hearings.

Senator CLARK. Mr. Chairman, the progress of this bill before the House of Representatives appeared in the press day after day. Anybody who took the trouble to keep in touch with it at all must have known it passed the House last week and would be before this committee very early, this week.

Senator LUCAS. Why did not the wool growers appear before the House Ways and Means Committee?

Mr. WILSON. I do not know why Mr. Marshall did not appear, Senator Lucas. I was not here. I am unable to give you the reason.

The CHAIRMAN. Was there no appearance before the Ways and Means Committee?

Mr. WILSON. In the House; no, sir. So that the committee may understand, representatives of the wool growers have been here nearly 2 months working out a plan with the Commodity Credit Corporation for the purchase of the wool, and having been away from home for that time and during that time, most of us had to get home when we got through there, and we were not able to be here at the time of the hearing before the Ways and Means Committee of the House. Mr. Marshall, secretary of the American Wool Growers Association, is the man who always handles the matter of testimony in tariff matters.

The CHAIRMAN. Is he coming in tomorrow morning anyway?

Mr. WILSON. He is going to be here tomorrow morning.

The CHAIRMAN. Would you ask him to come up and present his brief to the committee? We might also at that time hear him, if he wishes to be heard, if he has not been heard before the Ways and Means Committee.

Mr. WILSON. He has not been heard before the Ways and Means Committee.

Senator TAFT. Mr. Chairman, may I read this telegram?

The CHAIRMAN. Yes, Senator Taft.

Senator TAFT (reading):

EAST LIVERPOOL, OHIO.

Senator TAFT: I wish to testify at open hearing of Senate Finance Committee concerning renewal of reciprocal-trade agreements. I can be in Washington Thursday afternoon. Your help in this objective will be appreciated.

JAMES M. DUFFEY,

*President, National Brotherhood of Operative Potters.*

That is the pottery industry in Ohio and West Virginia.

The CHAIRMAN. Anyone who has a brief to file or who wishes to present a written argument in brief form may do so, and we would be very glad if it could be done by tomorrow, because the committee will be in executive session tomorrow and will proceed with the consideration of the bill and the proposed amendments to it.

Senator DAVIS. Mr. Chairman, I was called to the telephone a moment ago. Two representatives of labor are expected to be here at any minute. I told them that the committee would adjourn in the next half-hour. I have not yet seen them appear. I wonder if we could wait?

Senator DANAHER. Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator DANAHER. May I read into the record at this point, while it is in the process of compilation, the tentative language of a proposal which I shall later submit in executive session?

The CHAIRMAN. Yes, sir; you may.

Senator DANAHER. I would move in due course a proposed amendment to read substantially as follows:

*Provided, That all such agreements heretofore or hereafter made shall, unless sooner terminated, be revocable as of a day not later than six months after the cessation of hostilities in the present war as proclaimed by the President, upon the promulgation of a proclamation by the President pursuant to a joint resolution of the Congress declaring such agreement revoked.*

Senator CONNALLY. You say "joint resolution"?

Senator DANAHER. Yes.

The CHAIRMAN. All right, Senator. Is there anything else now to come before the committee?

Senator DAVIS. Mr. Michael Flynn, of Boston, called me a moment ago and told me there were a couple of representatives of labor who were on their way here to present their views to the committee in opposition to the Reciprocal Trade Agreements Act.

The CHAIRMAN. Are there representatives of labor here who wish to appear?

(No response.)

Senator CONNALLY. They can file briefs.

The CHAIRMAN. Yes; we will be very glad to have the briefs. Senator Davis had asked, and others had asked, that Mr. Flynn, or some representative of labor, be allowed to appear, inasmuch as some state-

ments had been made in the House record, as I understand it, that they wish to explain or make a statement regarding some statements that appeared in the House record.

Mr. Flynn, do you wish to appear before the committee?

Mr. FLYNN. Mr. Woll will make a statement.

The CHAIRMAN. Come around, Mr. Woll.

### STATEMENT OF MATTHEW WOLL, VICE PRESIDENT, AMERICAN FEDERATION OF LABOR

The CHAIRMAN. Mr. Woll, did you appear before the Ways and Means Committee on this trade-treaty matter?

Mr. WOLL. Not this time.

The CHAIRMAN. We understood you did not. You wish to make a statement now?

Mr. WOLL. Yes.

The CHAIRMAN. You may proceed.

Mr. WOLL. My name is Mathew Woll. I am second vice president of the American Federation of Labor, appearing in behalf of the America's Wage Earners' Protective Conference. The present proposal to extend the reciprocal-trade treaties is the third occasion since 1934 for an opportunity of the Congress to exercise its judgment on this question. After 9 years of experience and observation it is possible definitely to determine the value of these treaties. Certain predictions which were advanced have either been substantiated or refuted by events.

At no time during the past 9 years was it as imperative as it is today to base action on a clear perception of the facts and their implications. Extremes either in advocacy or in opposition have no proper place in this undertaking.

Between the extremes there is actually much common ground and today we should avail ourselves of all the common ground that is in sight. We would serve poorly not only this generation but also future generations if we could not draw closer together in the face of the international calamity which besets us on all sides. Therefore we should be thoroughly frank and forego so far as is humanly possible the temptation to partnership.

We should admit, for example, that there is an equal measure of sincerity among those who support and those who are against the extension of the trade treaties. Not all the supporters of the treaties are disinterested. Many of them have a direct dollar-and-cent stake in greater imports or greater exports, or both. At the same time, not all the supporters are mere Utopian dreamers or sentimental internationalists. On the other side, the opponents are not all selfish and heartless nationalists, heedless of the distress of other peoples. Among them are clear thinkers who are as greatly concerned as the so-called idealists with the future of our country and the fate of other nations.

It should also be clear that self-interest in this controversy, as in others, is not confined to those who have a material or financial stake in the issues. A professional or doctrinal position, once assumed and established, becomes a vested interest which may be as stubbornly defended or propagated as a material interest. It becomes as impervious to reason and as intolerant of contradiction by fact as the most

callous defendant of a vested interest; and, when the doctrinal or professional position is identified with partisan politics, it becomes as material a vested interest as any.

Therefore, in the controversy over the reciprocal-trade program we should avoid the common error of ranging on one side those who oppose it totally or in part and pinning on them the label of vested interests, and ranging on the other side the supporters and labeling them as disinterested idealists.

It is necessary that the atmosphere be cleared of certain false assumptions or pretensions if we are to attain to a clear view. The point is that there is no monopoly of sincerity or of the self-denying virtues on either side in this question. If we lost sight of this fact we may arrive at unwarranted conclusions.

It has become evident throughout all the controversy over the issues that there is one basic element of agreement. This is the recognized and unchallenged need for international trade, both for the welfare of this country and for the world as a whole. It is admitted that no nation, as constituted today, is self-sufficient, nor can be, in view of the geographical distribution of natural resources. Extreme action to attain self-sufficiency in all lines is admitted as undesirable.

The differences which exist, despite this general agreement, center around the conditions under which this admittedly necessary trade is to be carried on and the emphasis which it is to receive.

Several possible paths are open:

(1) We could give first priority to foreign trade. If domestic producers were injured as a result of such action, if workers were thrown out of employment by imports which undermined our domestic market, and, if unemployment threatened a depression; if, as a consequence of the wage and price depression we should find it difficult to meet the demands of our huge indebtedness, the requirements of social security and other fixed responsibilities, estimated at some \$5,000,000,000 or \$6,000,000,000 annually after the war, the only question, nevertheless, would be: Does the proposed course of action promote either imports or exports or both?

Now, it is not readily conceivable that anyone should wish to raise foreign trade to such an overshadowing priority over domestic interests or have our people so dependent on foreign countries.

(2) We could, at the other extreme, place foreign trade at the very lowest rung of the priority ladder and attribute every domestic difficulty to foreign trade. We would then raise impregnable tariff barriers against all imports which might come into competition with the products of our own factories, farms, or waters.

We would, of course, find that economic troubles grow in our own soil as well as in foreign soils, and that we are capable of creating our own economic distress without help from the foreigner.

(3) We could strike a reasonable and practical compromise. We could start with the premise that our domestic interests should be given first priority but admit that our welfare is affected by the economic welfare of other nations. We would then be happy if our welfare coincided with the welfare of other peoples. However, in the event of a clear conflict we would uphold our own position. Perhaps, we would find that without injury to ourselves we could also accommodate the other peoples to a reasonable degree. We should not, however, go so far as in the case of rubber, to spend over \$600,000,000 to build a domestic industry, and, at the same time, finance competition in other countries to undermine this huge investment.

The administrators of the reciprocal trade program would, of course, contend that it is their aim to help ourselves by helping other nations. However, we cannot safely rely on self-appraisal; and, considerable evidence has been placed in the record by people affected by duty reductions which does not substantiate the self-appraisal referred to.

Certain claims were made in the past by the proponents of the trade-treaty extensions. One of the cornerstones—for they have several, each a substitute, such as increased employment and expanded exports, alleged to be as good as the original—one of the cornerstones was the promotion of peaceful international relations by the removal of trade barriers. This laudable purpose met a tragic doom; but there is nothing in the sequel for opponents to exult over. Nevertheless, it is a pardonable skepticism to question some of the substitute cornerstones which have been offered with the same confidence as the one which crumbled.

In order that what follows may be better understood it should be said here that I do not appear in opposition to the extension of the trade treaties as such. May I here put into the record, first of all a letter of President Green addressed to myself dealing with the America's Wage Earners' Protective Conference and the activities of our group that expressed the point of view of American labor on that subject?

The CHAIRMAN. You may.

(The letter referred to is as follows:)

AMERICAN FEDERATION OF LABOR,  
Washington, D. C., May 7, 1929.

Mr. MATTHEW WOLL,  
Fourth Vice President, American Federation of Labor,  
New York, N. Y.

DEAR SIR AND BROTHER: In reply to your letter of April 26, may I first explain that the American Federation of Labor has steadfastly refrained from giving approval or endorsement to a protective tariff or to a modification or reduction of tariff schedules as represented in the term frequently used, "free trade."

It has been the policy of the American Federation of Labor, however, to cooperate with and to assist national and international unions affiliated with the American Federation of Labor in presenting demands to Congress for an increase or decrease in tariff schedules affecting industries in which men and women were employed over which these national and international unions exercised jurisdiction. This means that each national or international union may shape its own policies regarding tariff schedules with a feeling of assurance that the American Federation of Labor would respond to any request made for cooperation and assistance.

This policy will be pursued with regard to the tariff policies pursued by the organizations which you explain are component parts of the America's Wage Earners' Protective Conference. Each of these organizations for which you are authorized to speak may feel assured that the American Federation of Labor will assist and cooperate with them in the advancement of such tariff policies as they may formulate and decide upon.

With all good wishes, I beg to remain,

Fraternally yours,

WM. GREEN,  
President, American Federation of Labor.

Mr. WOLL. Then, too, I wish to place in the record the action of our executive council as manifested before the hearings of the political parties in 1940, forming the platforms of the respective political parties dealing with this subject, reading as follows:

To protect and safeguard the employment opportunities of America's wage earners against unfair competition of the products of workers of low-wage and depressed standards and conditions of employment of foreign countries and with

which we are bound to be faced at the end of the present European and Asiatic wars, and in order to hold secure the advanced industrial relations and employment standards secured by America's workers through legislative enactments and collective agreements against competition from products of workers in countries of lower standards, it is essential that adequate and proper legislation be had to obtain these ends. We urge the adoption of this policy and procedure.

Then, too, I wish to present a resolution adopted by the executive council of the American Federation of Labor, meeting here in session between April 25 and May 5 of 1938, dealing with this subject. The resolution reads as follows:

Whereas the provisions of reciprocal trade treaties negotiated by the State Department with foreign nations affect very vitally both the economic conditions of American workers and unemployment and there are many organizations, representing thousands of workers, affiliated with the American Federation of Labor, which are seriously affected by these trade treaties and for that reason are deeply interested in their provisions, and

Whereas the economic and industrial interests of these workers demand that the American Federation of Labor exercise all efforts possible to prevent the importation of goods from foreign countries, under the provisions of reciprocal trade treaties, where lower wages, longer hours, and lower standards prevail than exist in competing industries within the United States: Therefore be it

*Resolved*, That the executive council of the American Federation of Labor expresses its opposition to reciprocal trade treaties which discriminate against American workers. We are opposed to reciprocal trade treaties' provisions which provide for importation of goods and merchandise which because of low labor costs abroad, are sold at a lower price than the same goods and merchandise produced by workers in the United States, where wages and conditions of labor are established on a higher standard than those which prevail abroad; and be it further

*Resolved*, That a committee representing the American Federation of Labor be accorded the privilege of presenting labor's point of view relating to the provisions of reciprocal trade agreements affecting labor before said agreements are negotiated and ratified.

Senator VANDENBERG. Mr. Woll, does that continue to be the attitude of the executive council?

Mr. WOLL. It has not been altered since that time, and nothing to the contrary has been expressed by the American Federation of Labor, either by its executives or the council.

Senator DAVIS. Did not President William Green testify before the Ways and Means Committee of the House on this particular subject?

Mr. WOLL. He did.

Senator DAVIS. Did he express the federation's view?

Mr. WOLL. He expressed, as I understand it, his personal point of view, not certainly the official point of view as recorded in the record of the proceedings before the convention by the executive council.

Senator LUCAS. Does your council oppose trade agreements?

Mr. WOLL. We are not opposed to trade agreements as such. If you will let me finish my presentation, I will return to that.

Senator LUCAS. Very well.

Mr. WOLL. Those for whom I speak are not actuated by a desire to disrupt the unity of the countries which are fighting a common foe; nor, by a desire to render more difficult the international negotiations which lie ahead. This is not, however, to be construed as an endorsement of all that has been done nor of the manner in which the trade treaties have been negotiated.

We can offer a basis for trade which is sound and reasonable and yet will guard against the disruption of our domestic production. We can begin with 65 percent of our import trade as noncompetitive and built around articles on the free list and go forward from there.

In other words, two-thirds of our trade is not even in dispute—assuming that two-thirds of our imports provide foreign countries either directly or indirectly with the dollar exchange necessary to buy an equal amount from us.

The real question at issue then is what treatment is to be given the remaining 35 percent of our imports. Free trade in this segment can be ruled out, (a) because the reciprocal trade program supposedly does not permit a reduction exceeding half of the existing rates, and (b) because the administrators of the act disavow any intentions of launching a free-trade program. Thus, the ground under dispute is reduced still further, for example, to the upper half of the rates of 35 percent of our imports, and, by the treaties already negotiated, 63 percent of the rates in this segment have already been reduced an average of 43 percent.

The ground still remaining for reduction, though small, for example, about 37 percent of the dutiable items plus possible further reductions in the items already reduced, is nevertheless very important and vital to a large number of producers and workers in the United States.

Senator CONNALLY. May I interrupt you to ask you a question?

Mr. WOLL. Yes.

Senator CONNALLY. In the case of those reductions that you mentioned, were there any comparable reductions in the wages of the American employees?

Mr. WOLL. I think in most of the reductions of salaries labor was not directly affected. So far I think we have been pretty safeguarded in that regard, but we are fearful of the further reductions that will take place. Then, of course, you must bear in mind there are other factors going into the question of wage consideration than merely the question of the tariff situation.

The degree of importance depends on the difference in the cost of production as between the foreign source and the domestic producers. Unfortunately, the method by which the trade treaties are made does not permit a determination of comparative costs of production. Those entrusted with the program now proclaim that costs of production cannot be ascertained. This is a confession that the results are now worked out in the dark; and this is true in more than one sense. Those affected by the results are left in the dark as to what is being worked out and the operating personnel who make the duty alterations are in the dark as to the effects that will be produced.

The so-called American vested-interests, in other words, the producers, including America's workers, who have a vital interest in the continuity of their jobs, have repeatedly affirmed that they do not seek a monopoly of the domestic market, or an embargo. They subscribe to the desirability of a healthy competition, domestic or foreign. What they do not desire and what they should not be forced to face in the name of national welfare or in the name of international relations, is ruinous competition. They should not be asked to face a competition based on a wage scale which the American economic system cannot tolerate. They should not be asked to meet the low prices of foreign goods produced by countries which do not recognize their domestic social obligations, in the form of social security, fair labor standards and similar statutory enactments which impose certain fixed obligations upon our producers.

We are apprehensive of negotiators behind closed doors who rely only on their own ingenuity as against the shrewdness, skill and persua-

siveness of foreign diplomatic delegates, when instead they could rely on a cost-of-production formula. Of course they can rob Peter to enrich Paul. They can rob one industry of a part of its market by lowering duties and help another by increasing its exports. But in the net, the benefit to an exporter, except in very special cases, can be no greater than the injury done to his fellow-countryman who suffers the effects of the greater foreign competition opened up. In the end these negotiators, working without a yardstick, can reduce our standard of living in behalf of some school-book theory, or by engaging in some obscure game of power politics.

It is assumed by some that duty reductions bestow some mysterious gain over and above the benefit to particular exporters. Of course, if people have been indoctrinated to hate trade barriers as such they must, as crusaders, obtain great satisfaction from merely knocking down a trade barrier. But no one has produced an example, a worthwhile example, of the moderating effects of our missionary efforts upon the relations among other nations. Actually, our robbing of Peter in behalf of a trade advantage to Paul has not contributed visibly to improvement of international relations in general. If it is answered that certain nations had already embarked too far on their mad careers, it may be asked whether some plausible obstacle in the rough course of international affairs will not always arise to rob us of our cherished fruit.

The ineffectiveness of the program to promote trade with agreement countries has also been demonstrated. We offer for the record proof of this statement, based on our trade with various countries from the time agreements went into effect through 1938. The charts show conclusively that our trade with agreement countries did not increase more than trade with adjacent nonagreement countries.

The year 1938 is selected as the most suitable for comparison with the preceding years since it was the last complete year of peacetime trade before the global war broke out.

I present these charts for the record, dealing with exports to Sweden as compared with Norway, to Brazil as compared with Argentina, to Colombia as compared with Venezuela, to France as compared with Germany, and to Holland as compared with Denmark. These charts indicate clearly that the exports have been as great, in some cases greater, to those countries with which we did not enter into trade-treaty agreements as to those countries with whom we have or had reciprocal-trade treaties.

An analysis of the actual workings of these trade treaties, taking the last peacetime year for comparison, 1939, with the previous year 1938, shows that our exports to all trade-treaty countries increased in 1939, over 1938, less than 3 percent, while our imports from the same countries for the same period increased more than 18 percent. In other words, we granted concessions of 6 to the 1 which we received.

It is also well to bear in mind that our exports are reported on American values while our imports are reported on the basis of the foreign values.

Senator LUCAS. Are there any charts that show countries where the profit was greater?

Mr. WOLL. That has not come to my attention.

Senator LUCAS. Or that we have lost?

Mr. WOLL. I would not say we have lost. These charts compare our exports to countries with whom we have agreements as the chosen countries and countries with whom we have had no agreements, and

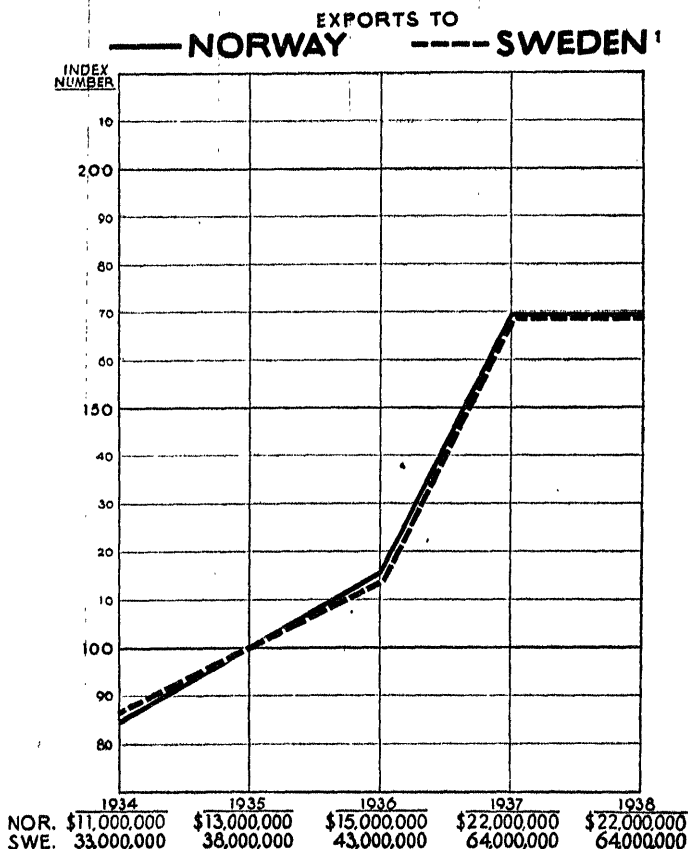


our exports have been as great if not greater to those countries with whom we had no agreements. That does not imply any loss of exports at all. As a matter of fact, my understanding is that exports started to increase a year or two before we entered into the reciprocal trade treaties, and that increase is very largely due to prices rather than to quantity of exports.

(The charts referred to are as follows:)

**CHART I**

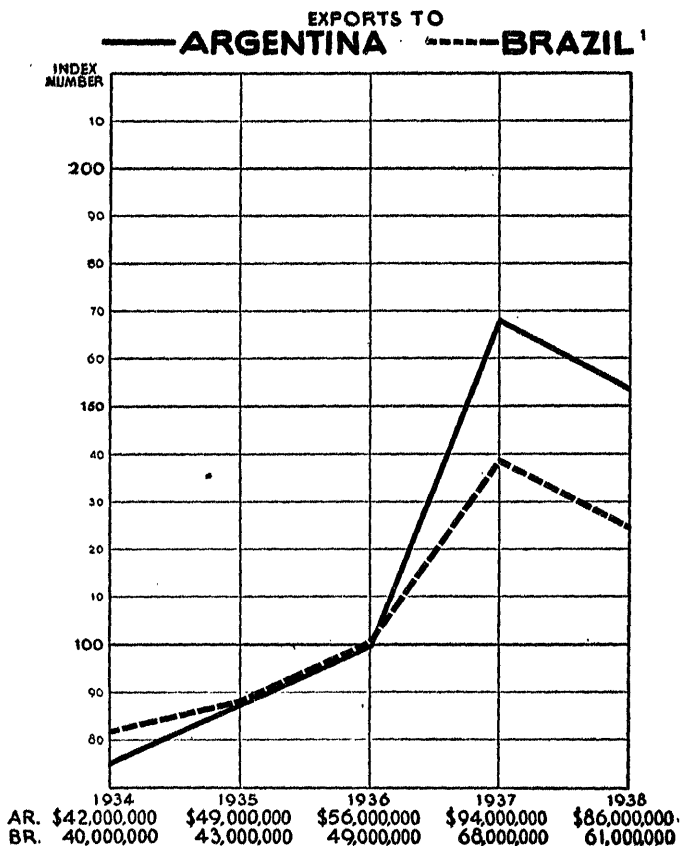
**TREND IN U.S. EXPORTS TO  
A TRADE AGREEMENT COUNTRY COMPARED WITH  
AN ADJACENT NON-AGREEMENT COUNTRY**



**100 = YEAR IN WHICH TRADE AGREEMENT WENT INTO EFFECT**

<sup>1</sup> Trade agreement country.

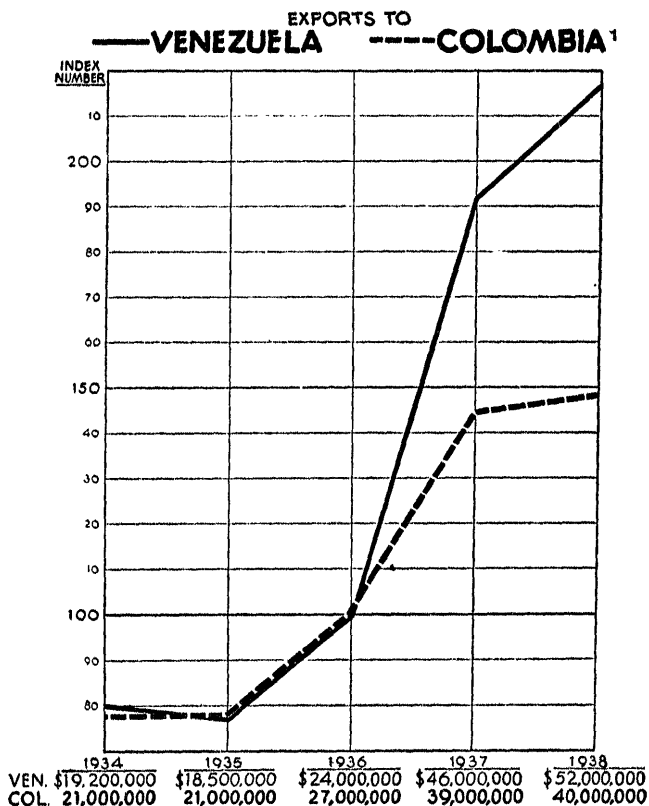
CHART II  
**TREND IN U.S. EXPORTS TO  
 A TRADE AGREEMENT COUNTRY COMPARED WITH  
 AN ADJACENT NON-AGREEMENT COUNTRY**



**100 = YEAR IN WHICH TRADE AGREEMENT WENT INTO EFFECT**

<sup>1</sup> Trade agreement country.

CHART III  
**TREND IN U.S. EXPORTS TO  
 A TRADE AGREEMENT COUNTRY COMPARED WITH  
 AN ADJACENT NON-AGREEMENT COUNTRY**

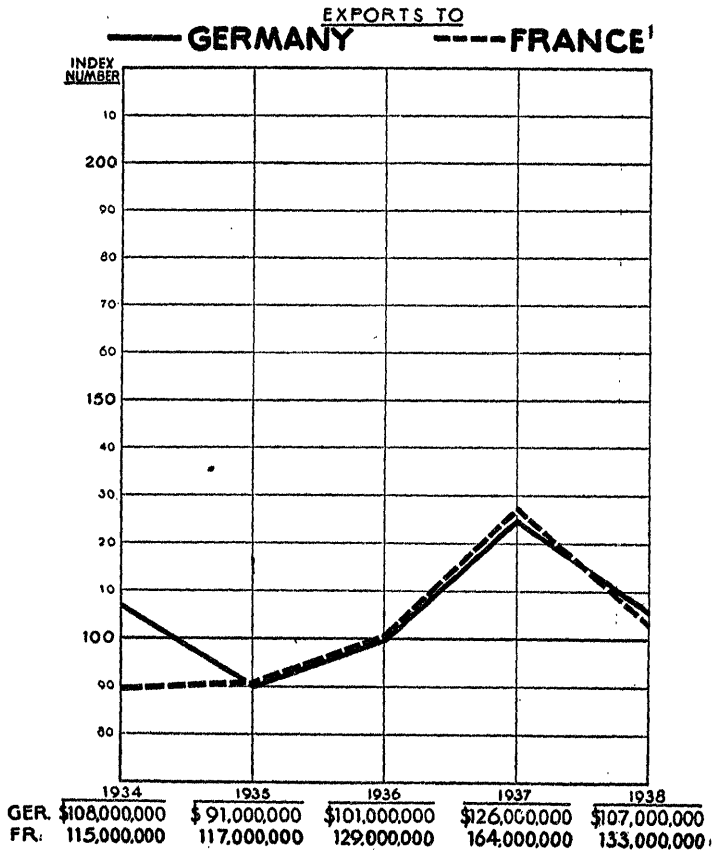


**100 = YEAR IN WHICH TRADE AGREEMENT WENT INTO EFFECT**

—Page Twenty-two

<sup>1</sup>Trade agreement country.

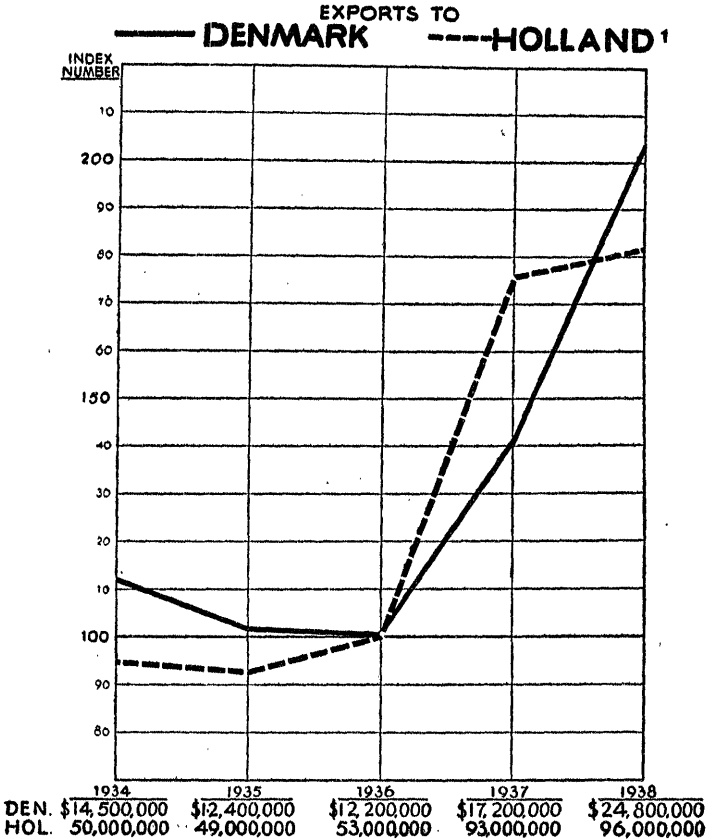
**CHART IV**  
**TREND IN U.S. EXPORTS TO**  
**A TRADE AGREEMENT COUNTRY COMPARED WITH**  
**AN ADJACENT NON-AGREEMENT COUNTRY**



100 = YEAR IN WHICH TRADE AGREEMENT WENT INTO EFFECT

<sup>1</sup> Trade agreement country.

**CHART V**  
**TREND IN U.S. EXPORTS TO**  
**A TRADE AGREEMENT COUNTRY COMPARED WITH**  
**A NON-AGREEMENT COUNTRY**



**100 = YEAR IN WHICH TRADE AGREEMENT WENT INTO EFFECT**

<sup>1</sup> Trade agreement country.

Mr. WOLL. Trade treaties can obtain their maximum benefit without injury, if the adjustment of duties is made, not in the dark, but openly and as nearly in accord with differences in cost of production as possible. If our producers are not injured and therefore wage rates and employment are not forced down, our purchases of the noncompeting foreign goods can increase as a result of our greater general well-being. This expansion of imports of noncompetitive goods helps foreign producers the same as expanded imports of any other goods; and it creates increased dollar exchange abroad just as certainly. Finally, expansion of such imports would enable us to increase our exports in the same degree as would any other increase in dollar exchange.

An example will help to clarify the foregoing: If we assume that the cost of producing a unit of a given commodity in the United States is \$12 and that the duty is 50 percent ad valorem, it makes a great difference in considering the reduction of this duty whether the foreign price of the same or competitive item is \$5, \$8, or \$10. If this foreign price were \$10 the duty could be lowered the full measure, in other words, to 25 percent without injury. If the foreign price were \$8 instead of \$10 the duty should not be lowered at all, unless, of course, a domestic monopoly were artificially maintaining the price at an unwarranted level. The \$8 price plus the duty of 50 percent would bring the foreign price to a par with the \$12 American cost. If, however, the foreign price were only \$5 the duty should be increased instead of lowered since the duty of 50 percent would bring the total cost to only \$7.50, compared with the \$12 American cost. Reference to insurance, freight, and so forth, is omitted for simplification of the example.

If the duty were bound or lowered, the low price of \$5 would permit the foreign producers to take over the domestic market, limited only by the quantity of foreign goods available. The workers in our industry would be deprived of their jobs and the business firms engaged in production of the item would be driven into bankruptcy. Nevertheless, our purchase of these foreign goods would produce dollar exchange, and the foreign sources could use this exchange either directly or indirectly to purchase some other commodities from us. Someone would be made happy. But who? The disinterested idealists, of course, but who else?

It is well known that the beneficiary would likely be some mass-production industry. Yet, from an employment point of view, this would not be very fortunate, since relatively fewer workers are required to produce a given number of units of a mass-production commodity. The economist might applaud the fact that an allegedly inefficient industry had been driven to extinction, but the net unemployment that had resulted should temper his applause.

The net unemployment resulting would decrease the income of our workers. They could buy less of our other domestic products and less of those other foreign products which are on the free list.

If instead of opening our producers to such competition or leaving them in such straits by failure to increase the duty, the competitive basis were equalized, our factories would not have to close down—it is realized, of course, that low-price foreign competition in a single item would not greatly injure a large producer of a variety of articles, while it might ruin a smaller, specialized producer. With competi-

tion on roughly an equal footing our factories could still realize a fair profit on their sales volume and employment would be maintained. We would not purchase as much of the particular foreign commodity as we would under the other condition but to compensate for this we would have retained the purchasing power with which to buy more of our own products and more of the foreign materials that are either on the free list or dutiable to the extent of equalized competition. The alternative is to favor the mass-production industries, drive the smaller business concerns to the wall, and promote monopoly and cartelization. This in turn would offer a fertile soil for tendencies toward the corporative state.

At this point it is opportune to consider the question of our trade barriers. A vast amount of righteous wrath has been expended in denouncing these barriers. This indignation has at times risen to such great heights that the true nature of barriers has been obscured and should be examined to determine whether all the heat has been justified. It is possible that our so-called barriers have merely served as a convenient scapegoat for ills that have arisen from other sources.

A barrier is an impediment, a hindrance, an obstruction or an obstacle. It is not necessarily insurmountable; but to be a barrier an instrumentality must at least hinder or impede some action or movement.

Now, if we look once more at our example, we may ask: Under what conditions is a rate of duty a barrier? If the foreign cost is \$5 and our cost is \$12, would a duty of 25 percent constitute a trade barrier? Such a duty would bring the price of the foreign item to only \$6.25. Imports would hardly be impeded by such a rate. Would a rate of 50 percent create a barrier? This would raise the price to \$7.50 against \$12. There would still remain a most handsome advantage of \$4.50 per unit. Even a rate of 100 percent would still leave a foreign advantage of \$2. Imports would then be impeded only if the country of origin could obtain a more liberal margin at home or in some other country. In that event some of the trade might be diverted from us.

Actually, competitive parity would be reached at the rate of duty which would bring the \$5 up to \$12; that is, a rate of 140 percent. Such a rate might act as a barrier but not as an unreasonable or an insurmountable one, certainly. It would not act as an embargo. Too often any rate of duty, any rate at all, is regarded as a barrier, as something placed across the path of trade; but obviously such a construction is false. A rate of duty is not a barrier unless it actually impedes or hinders the flow of trade. Some rates of duty are wholly ineffectual for the very reason that they offer no brake whatsoever against cheap imports. Such rates are obviously not barriers regardless of their nominal height.

There are barriers other than rates of duty but when the sins of our high tariffs are attacked as being responsible for trade barriers the attack has centered on our rates of duty; and our only bargaining point worthy of consideration has revolved around duty rates. We have not, until recently, adopted quotas. They have been introduced by the very people who are loudest in declaiming against them.

The inclination to condemn a rate of duty merely because the rate looks high is therefore wholly unsound. A rate of 10 percent may in

fact represent a barrier while one of 75 percent may not be a barrier at all. It is now well known that some countries with wages much lower than ours can lay down goods on our shores at a price so low that a duty of 100 percent will not impede them. And these countries are becoming less and less dependent upon hand labor. In other words, their production efficiency is rising. Before the war Japan was able to import our cotton, manufacture it into cloth, ship the cloth back to the United States, pay our duty, and yet undersell our manufacturers.

It is not easy to understand why those who agree to the principles of our immigration laws do not grasp the folly of restricting immigration, and, yet permitting the cheap wares of the immigrant to come into this country, into our markets, at delivered costs which are less than our costs of production, thus depriving American workers of their jobs and job opportunities. In other words, why keep the immigrants out, through our restrictive immigration and Asiatic exclusion laws, and accept, for the sole purpose of enriching a few importers and international bankers, the very type of injury to our workers—competitive products of the same workers—that the immigrants would inflict if we modified or repealed the protective provisions of our immigration laws?

Senator CONNALLY. May I ask a question now?

Mr. WOLL. Yes.

Senator CONNALLY. I understood you to say awhile ago that you were not testifying against the trade agreement as such.

Mr. WOLL. Yes.

Senator CONNALLY. Do I understand your chief objection is as to the method in which they are carried on?

Mr. WOLL. As to the method in which they are carried on. We urge it should be based upon the cost of production in the matter of the adjustment of the tariff rates.

Senator CONNALLY. So your objection is not to the principle of it but to the practical application of it?

Mr. WOLL. To the practical application; yes. I made that clear right from the very inception. When we discuss the subject of trade treaties, there are those who do not confine themselves purely to the reciprocal trade treaties but also speak of tariff reductions and treaties as a means of reducing the tariff rates. So the two are inherently related one to the other.

In using the word "barrier," therefore, we should recognize the relative nature of duties and should understand that a duty is not of itself a barrier. Next, we should recognize the fact that reasonable barriers are justified and in some instances indispensable, if our producers are to survive.

Now, it can be said, "This is all very well, but how can you determine whether a rate of duty will or will not act as a brake, or whether it should act as a brake, or to what extent?"

The only proper way of making such a determination is to obtain relative costs of production. Otherwise we could only guess. And when we are reduced to guessing we encourage juggling and become more vulnerable to special pleading, favoritism, and pressure.

For this reason it is disturbing to learn that spokesmen for the trade treaties now proclaim that costs of production cannot be determined. The Vice Chairman of the Tariff Commission, a body which



is charged by law with determining the differences in cost of production between domestic and foreign producers, states that such costs cannot be determined.

Contrary to the statement of the Vice Chairman of the Tariff Commission made when he testified before the Ways and Means Committee that it "would be utterly impossible" to ascertain the differences in costs of production, the records of the Tariff Commission disclose that the Commission has made 16 reports on the differences in the costs of production on competitive articles since 1934, which are sold in the American market in competition with the products of America's workers or farmers, to President Roosevelt.

It is significant that in each of these instances President Roosevelt proclaimed the findings of the Tariff Commission and the rates so set became effective.

It is interesting to note that of these 16 cases reported upon, 8 called for increases and 8 called for decreases in the rates established by the Congress.

Now, if we are to assume, despite the foregoing finding, that cost of production cannot be ascertained on any or most competitive articles of import, as the advocates of unrestricted reciprocal trade treaties would have us believe, how then can a proper decision be reached that any given duty is a trade barrier that should be reduced? Tariff making under such circumstances would then settle into a haggling and guessing game in which personalities count for more than facts.

SENATOR VANDENBERG. Mr. Woll, all of those have been committee reports, and I understand the actions on them were prior to the passage of the Trade Agreements Act.

MR. WOLL. Yes; reported in 1934.

SENATOR VANDENBERG. There has been no use whatever of the elastic tariff?

MR. WOLL. To my knowledge, none. At least I have no direct knowledge of there having been any use of them made, other than the 16 instances acted upon by President Roosevelt which I have previously referred to.

It promotes the injection of personal predilections and prejudices, and naturally seeks closed doors to avoid disturbances. The theorists, having nothing to lose, can put their doctrines into practice and when complaints of injury are received they contrive ingenious replies to minimize the ill effects of their acts. They can generously broadcast concessions to all countries entitled to them under the unconditional most-favored-nation clause.

These trade treaties are referred to as reciprocal trade treaties. The fact is we have made duty reductions which are almost world-wide in their application, whereas the reductions which we have been accorded or promised in return are restricted to the countries making direct agreements with us. This is a means of lowering our duties in general, but it is not reciprocity nor does it meet the usual conception of bargaining.

This is not the way to remove tariffs from politics. The bipartisan control which the Tariff Commission was set up to embody is set aside. The comparative cost-of-production formula is forgotten and scientific tariff making is discarded. In place of it we have the rule of personal doctrine.

To this method of shelving the concept of a more scientific tariff is added impatience over the delays that are attributed to the cost-of-production method and to senatorial ratification as well. This impatience is said to reflect a distaste for inefficiency. The democratic processes are too slow. Therefore, we are told, we must adopt the more efficient methods of the totalitarian regimes.

We may, however, concede the need for concentrated power in management of the war without including activities which are applicable essentially to peacetime conditions; and we should beware of the alluring bait that is offered as an inducement to concentrated power. There is always a good reason at hand, either actual or manufactured, for subtracting from the democratic controls. Once the controls are gone, we realize how difficult it is to retrieve them. The new holders of the power cling tenaciously to the controls and fend off all efforts to restore them to the people by intricate and plausible arguments and sedative assurances. All motives appear innocent and harmless—and undoubtedly most of them are. But the machinery by which the democratic processes can be denied is coming into being very rapidly as necessary war measures. Controls which are not necessary for the prosecution of the war should not continue to be withheld from the people.

Against Senate ratification of the treaties it is said that past experience has shown that agreements once reached might be bottled up and not brought to a vote. A simple provision that not over 60 or 90 days could be allowed to lapse before Senate ratification or rejection was effected would answer this objection.

And, speaking of quick and efficient removal of trade barriers, what have the administrators of the act done to obtain discontinuance of certain patent practices of other countries? They have done nothing to protect our patents against the requirement that the goods must be produced in foreign countries if they are to be sold under the protection of the patents. American firms have therefore been forced to establish branch plants abroad for their own protection. This has prevented them from employing the American worker and manufacturing the goods in this country for export to the market in which they are interested.

Having tasted the flavor of low wages in other countries these companies have come to look kindly upon the reciprocal trade program. They have become benevolent internationalists almost overnight.

Likewise the administrators have devised no means by which to overcome the practices of international cartels whereby markets of the world are parceled out and prices fixed so that almost any barriers can be circumvented.

As a final argument to extend the program unaltered, it is alleged that discontinuation of the reciprocal trade program would cause a loss of faith in us among the nations associated with us in the war. This fear is extended to include any substantial alteration in the present method of concluding trade treaties.

In reply we say that we do not oppose extension of the program. We oppose only the present undemocratic and unscientific method of changing our tariff rates. The record shows that nearly all the countries with which we have reached agreements require legislative approval before the treaties go into effect. These countries treat the agreements as treaties and subject them to such democratic

processes as exist. Much is made of the fact that some of these countries have a parliamentary system of government and that for this reason ratification is virtually a foregone conclusion.

Since the prime minister is the head of the parliament, and, since he carries out the treaties, parliamentary approval is almost automatic.

We do not have a parliamentary system and we may confidently assume that the other nations of the world are aware of this fact and that they moreover understand the difference between our system and a parliamentary system. They know that one Congress cannot bind a succeeding Congress on unfinished business, and for that matter neither can a parliament.

It is difficult to see by what construction of our action our associates in the war would lose faith in our international objectives so long as we remain true to the democratic processes, as these processes are carried out under our Constitution. Surely we are not to understand that we should change our form of government under the fear that the world will misunderstand us if we go about our business in accordance with our fundamental political structure. To appear to do so when we are not in fact doing so would only be deceptive and would in the end properly result in a loss of faith in us.

Quite contrary to causing a loss of faith in us, if we return to the democratic processes where we have wandered somewhat away, this reaffirmation of our faith in democracy should hearten our associates instead of giving rise to misgivings. Those who think differently betray, albeit unwittingly, a lack of faith in the representatives of the people.

If we are fighting for the preservation of democracy and freedom it would be setting a very doubtful precedent to be led by a fancied international expedient to advertise to the world a lack of faith in representative government. When we have no objection to parliamentary ratification of the trade treaties by other countries, is it not drawing an unfavorable comparison between representative and parliamentary government to proclaim that senatorial ratification is undesirable? This comes near to obsequiousness before foreign powers and poorly fits the conduct of the leading democratic power in the world.

The conclusion from the foregoing considerations is that the objections to the cost-of-production formula and to Senate ratification, both of which we support as a condition of approving the extension of the trade program, are not substantial and rest on unsound premises. To seek the reduction of trade barriers when the barriers cannot be defined or measured represents a step backward, a reaction. To oppose Senate ratification on the grounds of delay is specious, since time limits can be established; to oppose it on other grounds represents a lack of faith in the representatives of the people, characteristic of totalitarian regimes. And to fear the effects of submission of the trade treaties to the Senate upon our international associates in the war is not worthy of the upholders of democracy.

If we consider the uncertainties following the termination of the war we can feel quite sure of two consequences, namely: (1) A tremendous problem of readjustment from wartime to peacetime production, and, (2) an unprecedented flow of goods into the United States from all over the world as soon as the war-torn countries are able to reopen their factories to peacetime production, and, the dumping of the products of such factories into American markets.

Both of these consequences will be much more far-reaching than after the last war. We have many more men under arms and we have converted to war production much more extensively than in 1917-18.

It is obvious that we cannot depend upon a bargaining policy to meet the foreign competition to which we surely will be exposed. How can we reemploy our demobilized millions if we leave wide open the doors to ruinous foreign competition? Our industries would be crippled from the outset which means that additional millions of our workers will have to be provided for through relief rolls. No longer can foreign competition be laid to inefficient hand labor. Mechanization and mass production has made very great progress within the last decade not alone in the United States, but in foreign countries as well, especially in Germany, Czechoslovakia, and Japan. Machines, not human hands, set the pace for production more and more.

It is reasonable to assume that with mass production prevailing in foreign countries competition for American markets will be more keen than ever before. Indeed, the competition may well take the form of state-controlled exports from corporate states like Russia.

We, therefore, believe that the trade treaties should be suspended 6 months after the cessation of hostilities and the constitutional powers of the Congress to deal with foreign trade be reestablished. In that way alone can we be prepared to meet the impact of post-war dislocation with hands untied.

Then, to summarize briefly:

1. We believe that the reciprocal trade program is not in itself an effective instrument of international peace. Its possible contribution is quite limited.

2. We recognize the need for foreign trade and favor its expansion within the limits ascertainable by cost-of-production investigations.

3. We do oppose the transfer of employment opportunities from our country to low-wage countries by permitting underselling of our commodities by competitive foreign goods in the domestic market.

4. We believe that the legitimate interests of our workers can be better protected if the trade treaties are submitted to the Senate for ratification. We do not believe that Congress is justified in divesting itself of the treaty-making power.

5. We believe that the exercise of the constitutional powers of the Congress by the Congress cannot and should not be an affront to any member of the United Nations group.

6. Under world conditions now prevailing we are in accord with extending the reciprocal-trade-treaty authorization. We believe, however, that our national welfare demands the suspension of all trade treaties 6 months after the cessation of hostilities and the return to the Congress of its constitutional authority to regulate foreign commerce.

7. If the conditions indicated above are met we do not oppose the extension of the reciprocal trade program.

I want to thank you gentlemen for the opportunity accorded me in just hastily presenting our points of view. I had hoped I might have appeared tomorrow, when I perhaps could have entered more fully into these matters. That concludes our presentation.

Senator VANDENBERG. May I ask one question in regard to that final point, Mr. Woll? You have insisted that all trade agreements should be revoked 6 months after the cessation of hostilities.

Mr. WOLL. We believe those in existence should terminate not less than 6 months after cessation of hostilities, and any new ones entered into should not be for a longer period.

Senator VANDENBERG. Would it not equally reach your point of view if they were revocable without actually being revoked by present action?

Mr. WOLL. Of Congress?

Senator VANDENBERG. Yes.

Mr. WOLL. Without confirmation by the Executive?

Senator VANDENBERG. Well, with or without, if they are revocable. Would you not reach precisely the same point that you would if you now prejudged the issue and undertook to revoke?

Mr. WOLL. I think, speaking for myself and without conferring with my associates, I would say "Yes." If Congress could revoke them and then possibly the Executive could do so, the power of a board of review would be had by agencies of the people through an open hearing in Congress.

Senator VANDENBERG. It seems to me that is more in keeping with your whole theory of approach, because all you are asking is that the question be kept open.

Mr. WOLL. And so these agreements may be reviewed in the light of the situation existing, because we are apprehensive of the situation with which the world will be confronted at that time.

Senator DAVIS. Mr. Woll, you have been a representative practically of the printers and bookbinders?

Mr. WOLL. They are part of our group.

Senator DAVIS. I was wondering what effect these reciprocal trade agreements had upon the book industry.

Mr. WOLL. Well, as a matter of fact the reciprocal trade treaties never had sufficient time in which to indicate either benefits or a distinctive harm, for you realize it was in 1934, I think, that they were authorized, and it was not until a year or a year and a half when they came into operation.

Senator LUCAS. May I ask a question right there?

Mr. WOLL. Yes.

Senator LUCAS. Reading from Mr. Green's testimony before the Ways and Means Committee, he says:

The evidence is conclusive that reciprocal trade agreements have made possible a substantial increase in the export of American goods, resulting in a notable increase of employment in the industries concerned.

Mr. WOLL. You will have to ask Mr. Green where he got the evidence upon which to predicate that. I cannot answer that, but I will say we have no such evidence.

Senator LUCAS. It is rather strange that the president of this great organization would make a statement of that kind in the record before the House Ways and Means Committee.

Mr. WOLL. Not any more strange than that those that are affected by the foreign competition have the contrary point of view, and I have watched these things specifically.

Senator LUCAS. That may be true. The only statement I have made is that he makes that as a definite statement before the Ways and Means Committee. I presume, and I think the country has the right to presume, that he had some facts upon which to base it.

Mr. WOLL. I am prepared to demonstrate the validity of the statements I make.

Senator LUCAS. There seems to be some variance on important matters of that kind. We have diametrically different opinions here from the representatives of the workers of this country. One fellow says that it does and the other fellow says that it does not, so we are left just hanging in midair.

Mr. WOLL. As to the validity of the statement of President Green and mine, I can demonstrate the validity of my statement.

Senator CONNALLY. The question I want to ask is this: The chief complaint about the operation of the trade agreements has been made by the agricultural, ranch, and farming interests on the ground that the operation has resulted in a stimulation of the export of industrial products at the expense of ranch and farm interests. Now, if that is true, that would help labor, would it not, because the more industrial products we export, the more employment at home and the more wages labor gets; is that not true? That is probably what Mr. Green had in mind in his testimony before the House. It was due to the stimulation of the export of automobiles, sewing machines, and all the industrial products of the country.

Mr. WOLL. First of all, may I say the increase in exports as to automobiles, as to sewing machines and everything else raises a serious question of our patent laws, where manufacturers have been compelled to put their branch factories in foreign countries in order to protect the patents in those countries. There are many factors that enter into the question of increased production.

Senator CONNALLY. That would be true regardless of this act.

Mr. WOLL. Entirely so.

Senator CONNALLY. I am very much opposed to going to foreign countries and establishing foreign plants, but I do not know of any way to stop it. It just occurred to me that Mr. Greene no doubt had that in mind when he testified to that, that through the stimulation of exports of industrial products from the United States, labor had been benefited through an increase in employment, an increase in wages.

Senator BUTLER. Mr. Chairman, may I just interpose a remark there? The total of our exports are in the neighborhood of 10 percent of the over-all business of the country; 90 percent of our business is domestic. If we would improve the 10 percent a little bit we would injure the 90 percent considerably.

Senator WALSH. Mr. Woll, some of the members of the committee may not know your background. You have specialized in the study and analysis of the effect of the tariff upon the workers of the country?

Mr. WOLL. I have been representing these organizations for many years, and it has been our specific duty to deal with the question of imports and exports as they affect our foreign trade.

Senator WALSH. For how many years?

Mr. WOLL. It is hard for me to tell how many years. I judge about 20 years or more.

Senator WALSH. And that has been one of your chief contributions to the American Federation of Labor?

Mr. WOLL. As a matter of fact it is the only agency in the American Federation of Labor that makes a study of the problem.

Senator CONNALLY. May I ask him one more question?

The CHAIRMAN. Yes, Senator Connally.

Senator CONNALLY. Then I will let you alone, Mr. Woll.

Mr. WOLL. Yes.

Senator CONNALLY. Do you know how the general, average wage level of the American worker at the present time compares with that same level prior to the operation of the trade agreements? Is it higher or lower?

Mr. WOLL. Well, I would not say that the wage level has been affected in connection with the reciprocal trade treaties.

Senator CONNALLY. What are the facts? You know whether it is higher or whether it is lower.

Mr. WOLL. The wages have increased since 1934, no question about that.

Senator CONNALLY. That is all.

Mr. WOLL. I think our trade unions have been the particular agencies responsible for that increase.

Senator CONNALLY. I do not care about that, I just wanted to get the facts.

Senator CLARK. Mr. Woll, in connection with the capacity in which Mr. Green, president of the American Federation of Labor, appeared before the House committee, I should like to read you some cross-examination at the conclusion of Mr. Green's very fine statement, and see whether you think Mr. Green has correctly and fairly stated the situation in regard to his appearance there.

Senator CONNALLY. I do not think it is quite fair to draw this contrast between Mr. Woll and Mr. Green. They both belong to the same group.

Senator CLARK. Mr. Woll started out on his statement, as I understood it, by more or less repudiating the testimony of Mr. Green. I simply want to read into the record at this point what Mr. Green said as to the capacity in which he was appearing there.

Senator CONNALLY. I think it looks a little unfair to make a subordinate attack the testimony of his superior.

Senator CLARK. At the conclusion of Mr. Green's very fine statement Mr. Jenkins asked him these questions—Congressman Jenkins:

Mr. JENKINS. Mr. Green, I should like to ask you this, is this your annual meeting statement or is this a statement that has been approved by your great organization?

Mr. GREEN. I am submitting that on behalf of the American Federation of Labor and as the president of the American Federation of Labor. I want to submit, Congressman Jenkins, as I have just stated, that I know that there are organizations and individuals in the American Federation of Labor who may entertain a different point of view.

Mr. JENKINS. That is what I want to bring out. I understand there was a gentleman who was supposed to appear here yesterday or the day before that represents an organization that is affiliated with your organization, and his statement would have been the same this year as it was 3 years ago, which was that he was very bitterly opposed to the extension of these agreements.

Mr. GREEN. Well, under our set-up representatives of organizations can do that. They have a perfect right to do it.

Mr. JENKINS. They have their own self-autonomy?

Mr. GREEN. That is right.

Mr. JENKINS. That is what I want to bring out—whether the American Federation of Labor in its annual meeting has ever taken this position on the subject.

Mr. GREEN. I could not tell unless I examined the records, and I am not sure about that.

Mr. JENKINS. Then I take it that your argument today is made upon your own responsibility as the president of the American Federation of Labor.

Mr. GREEN. Exactly.

Mr. JENKINS. And then am I justified in feeling that you do not speak here today as a result of any action having been taken by your great organization in convention, when they would take such action?

Mr. GREEN. I think I am in a position to pretty well and accurately appraise the sentiment of this great organization that I have the honor to represent.

Mr. JENKINS. I do not doubt that at all. I do not doubt that you speak honestly and faithfully, as you always do, and you know I have great respect for you. But still I do not want it to appear that you are speaking for the American Federation of Labor today after that federation has taken action on this matter.

Mr. GREEN. Well, after all, I will leave it to the committee to take into account the fact that I have been serving them 18 years. I have been reelected 18 times without opposition; and if I misrepresent them, they won't have me in there at any time. But if there is anyone who wants to come here, associated with us, and present their point of view that is contradictory and different with any other point of view, they have a perfect right to do that.

Mr. WOLL. In order to eliminate any false impressions, as for the last statement that President Green has been reelected 18 years without opposition, may I say that during that same period of time I have been reelected vice president of the American Federation of Labor for an equal time without opposition of any kind. He speaks, of course, in his own personal capacity, as he indicates. He says he is not speaking from the record. I am presenting a record of the action of the executive council, which has not been modified since that time.

I do not know that there is any difference between President Green and me on this subject. We do not oppose the reciprocal trade treaties. He speaks of the reciprocal trade treaties. We urge that these reciprocal trade treaties, the increase or reduction of rates, be founded upon a basis of the cost of production, and that the treaties should be ratified by the Senate. Now, it is only as to the method in which they shall be negotiated and concluded that we may differ. I do not know what President Green's personal view is on that subject. He may differ with me on that, or he may not.

Senator CLARK. His whole statement was an exceedingly strong endorsement of the extension of the Reciprocal Trade Agreements Act.

Mr. WOLL. And I am not arguing against it.

Senator CLARK. I am just trying to find out what your position is.

Mr. WOLL. If there is any difference between us, the field is very narrow. It deals only with the method or the form in which it shall take place.

The CHAIRMAN. At any rate, it demonstrates that yours is a democratic organization; does it not?

Mr. WOLL. Absolutely. As to the official position of the American Federation of Labor, I present to you its records, with a further statement that nothing has been done by the executive council or by a convention of the American Federation of Labor to change those records, or resolutions, or declarations.

The CHAIRMAN. Are there any other questions, gentlemen? If not, thank you very much, Mr. Woll. We are very glad to have you appear before the committee.

The CHAIRMAN. Is there anything else this morning? Is there any other witness now who might wish to be heard?

(No response.)



The CHAIRMAN. Responsive to a question that I asked yesterday of Dr. Sayer, this memorandum is furnished me enumerating certain articles, and I wish to put it in the record.

(The matter referred to is as follows:)

DATA REQUESTED BY THE CHAIRMAN FROM STATE DEPARTMENT

The United States granted concessions on a very large number of nonagricultural products of the United Kingdom which farmers buy and use. Included among these are the following: Pottery, earthenware, and china; various machines and parts for them; table and kitchenware; wire rope; ball and roller bearings; saddlery and harness and hardware for them; knives, hay forks, manure forks, and other hand farm tools; shotguns and rifles; motorcycles, bicycles, and parts for them; engines of various types; linoleum; woolen and worsted textiles; leather products of various special types; paper and paper products; emery wheels and files; gunny bagging, cordage, and twine; brushes; hats, boots, shoes, and gloves; tiles; sheep shears; and many others.

In trade agreements with other countries the United States has made concessions on such products of interest to farmers as cream separators, metal hoops and bands for baling cotton or other commodities, woven-wire cloth, axles and parts thereof, cast-iron pipe and fittings, chains for transmitting power, mill saws and crosscut saws, electrical vacuum cleaners, penknives, table knives and butcher knives, safety razors and blades, pliers and files, watch and clock movements, forks, hoes, rakes, scythes, sickles, and corn knives, cooking and heating stoves, rivets, nuts, washers, and screws, various types of lumber, wheel hubs, wagons and carriages, and hundreds of other items.

The CHAIRMAN. In view of the statement made by Mr. Wilson representing the wool growers, and repeated telegrams from the Wool Growers Association, and Mr. Wilson's statement that Mr. Marshall is en route and will be here tomorrow morning, I think the committee should receive Mr. Marshall's brief tomorrow morning and if he insists upon it, maybe hear him personally, as I have already stated to Mr. Wilson.

Mr. FLYNN. There are several labor organizations who expected to testify. In view of the apparent closing of the hearing, I would like the opportunity of presenting a brief.

The CHAIRMAN. I have already said anyone may present a brief. The committee will recess until tomorrow morning.

(Whereupon, at 11:35 a. m., an adjournment was taken to 10:30 a. m., Wednesday, May 19, 1943.)



# EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

WEDNESDAY, MAY 19, 1943

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10:30 a. m. in Room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

The CHAIRMAN. The committee will come to order. All right, Mr. Marshall.

## STATEMENT OF F. R. MARSHALL, SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION

Mr. MARSHALL. Mr. Chairman, let me express my thanks for your liberality in recognizing me under the circumstances. As you know, we did not find it possible to appear before the House Committee on Way and Means.

I am representing the National Wool Growers Association. The National Wool Growers Association is a voluntary organization with headquarters in Salt Lake City, Utah, and has been in existence for 78 years.

The membership of the association consists principally of wool growers in Texas and 12 other Western States having State organizations affiliated with the national.

These States have 36 million of the 55 million sheep in the United States, as estimated by the Department of Agriculture on January 1, 1943.

The position of our association in regard to continuation of the trade agreements program was expressed by unanimous vote in our seventy-eighth annual convention, held at Salt Lake City, January 25 and 26, 1943, as follows:

In 1934, under the pressure of emergency, the Congress relinquished its treaty- and tariff-making duties by granting authority to the Executive to enter into so-called reciprocal trade agreements with foreign nations without the constitutional proviso for Senate approval. This grant of authority expires in June, and the executive department has now asked that it be extended.

We were opposed to this grant when it first was made, and its operation has only served to increase our misgivings. We believe the law is clearly unconstitutional. Its operation has served only to discourage those engaged in agriculture, who, seemingly, have been singled out to bear the brunt of most tariff reductions so far made.

We are opposed to a further extension of this grant unless, in the judgment of the Congress, some compelling reason exists which has not as yet been made public. In that event, it should be approved only after requiring that all treaties be submitted to the Senate for its approval, as is provided in our Constitution, and as is the case in every foreign country with which we have made a trade agreement.

If we practice democracy at home, we may better preach it abroad.

I will take the liberty, Mr. Chairman, to amend the language of that resolution insofar as it says, "is the case in every foreign country."

I understand that there are some 12 countries which execute these things provisionally and by later ratification and 4 in which they go into effect the same as in this country.

The CHAIRMAN. Yes, sir.

Mr. MARSHALL. There is a slight error in the language there. I should like, first, to express the satisfaction of the wool growers in being able to discuss this question before those who will make the final decision. When we appear before the Committee on Reciprocity Information to express our views on proposed new trade agreements, we feel that there is not much hope that our expressions will ever reach those by whom the terms of the new agreements are written.

While the wool growers are opposed to continuation of the trade agreements program in its present form, we are not isolationists. We feel that, so long as 26 of the 30 trade agreements now in effect have had to be subjected to legislative action in their respective countries, a similar requirement by the United States cannot fairly be taken as any indication of this country's intent to desert its allies or discontinue its very liberal policies in connection with international affairs.

#### WOOL REDUCTIONS SINCE 1934

Since 1934 duties on wool and lambs and on wool imported in manufactured form have been reduced through trade agreements with the United Kingdom, France, Argentina, and Mexico.

The agreement with the United Kingdom became provisionally effective on November 17, 1938, and was later ratified by the British Parliament. The duty on wool imported in the form of rags was reduced from 18 cents to 9 cents per pound. In the next calendar year, the imports of rags, chiefly from Great Britain, increased by 785 percent, or the equivalent of 20,000,000 pounds of wool. The increases in imports of two types of cloth and clothing in the same year were 219 percent and 69 percent and equal in all to 21,000,000 pounds of wool.

In 1936, an agreement with France reduced duties to the world on yarn, pile, and knit fabrics, thus increasing imports of foreign wool and decreasing the potential demand for domestic wool by American manufacturers.

The agreement with Argentina was signed on October 14, 1941. The rate on dutiable wools not finer than 40s was reduced from 24 to 13 cents per pound of clean content. On wools not finer than 44s the reduction was from 29 to 17 cents per pound. The war situation makes it impossible fairly to determine the effect of these tariff decreases on wool imports.

The agreement with Mexico was signed December 23, 1942. It reduced the duties on sheep and lambs from \$3 per head to \$1.50.

Our industry has perhaps been fortunate in not having been subjected to more tariff changes under the trade agreement program. We know, however, that negotiations with Australia were under discussion until interrupted by the outbreak of the war.

If the program is continued without modification, we shall still feel that there is a shotgun behind the door which may be brought into play at any time.

## FOREIGN TRADE AND PROSPERITY

In testifying for this resolution before the Ways and Means Committee on April 14, Dr. Francis Sayre presented data and statements concerning foreign trade and prices for domestic agricultural products. Dr. Sayre referred to the striking correlation between the figures for foreign trade and farm prices, and concluded that rising volume of foreign trade causes higher pay rolls and agricultural prices. These are his words:

First. \* \* \* When imports are highest, factory workers in the United States are earning the most money. These are times of increased purchasing power and of good demand, both for domestic and imported products.

Second. Farm prices and farmers' income go up when foreign trade increases and decline when foreign trade declines. This is true whether we look at total foreign trade or at imports as a whole, or exports as a whole, or at imports of agricultural products.

We can agree with Dr. Sayre that there is a close correlation between the volume of foreign trade and our domestic agricultural prices and pay rolls. I think, however, that there is at least room for a great deal of argument as to whether the foreign trade is the cause or the result of domestic prosperity. I submit that it can just as fairly be argued that our imports and exports increase when we are having prosperous conditions in this country, and that increased foreign trade is the result, rather than the cause of domestic prosperity.

## THE NET EFFECT OF TRADE AGREEMENTS UPON AGRICULTURE

The Tariff Commission has prepared material showing the value of agricultural and nonagricultural imports and exports for the years 1934, '37, '38, '39, '40. Because of the effect of the war upon foreign trade, I am comparing the figures for 1934 with those for 1939 to show how agriculture has fared under the agreements that were in effect in the latter year.

It must be stated that this study cannot include trade with Argentina and Uruguay since the agreements with those countries were not negotiated until 1941.

Noncompetitive agricultural imports are not separated from competitive imports. However, it seems fair to consider increases in imports following tariff changes as consisting of competitive commodities since noncompetitive imports are practically duty-free and have not been directly affected by the trade agreements.

From 1934 to 1939 agricultural imports from trade-agreement countries increased from five hundred and twelve to seven hundred and seventeen million dollars, or 40 percent. In the same period agricultural exports to the same countries increased by \$57,000,000, or 14 percent.

The net effect was an additional volume of agricultural imports amounting to \$148,000,000. As referred to above this increase must be considered as consisting of products that are competitive with products of American farms and ranches.

Imports of nonagricultural products from trade-agreement countries from 1934 to 1939 increased from five hundred and forty-five to eight hundred and twenty-eight million dollars, or 52 percent. But exports of nonagricultural products to trade-agreement countries rose from eight hundred and sixty-nine to one thousand six hundred and forty-four million dollars, or 89 percent.

Industry had a net gain of \$492,000,000 in its trade with these countries while agriculture took a net loss of \$148,000,000.

Frequently, it is argued that our increased exports of industrial materials cause larger pay rolls and increased demand for home-produced food and fibers. This idea might hold water if American farmers enjoyed the market for the increased consumption by American labor of such larger quantities of farm products. But when the increase in food and fiber requirements is supplied by increased imports, the farmer has, at least, received no benefit.

This policy of increasing agricultural imports in order to promote industrial exports, carried out to its full and logical result, would ultimately place the United States in the position of some other countries which produce chiefly manufactured goods and are dependent for food on the products of other countries.

I think there will be no argument on the statement that this country should maintain its independence in food supplies, and not use its tariffs to promote industry at the expense of agriculture.

I also wish to say for our association this morning, that the wool growers are favorable to the proposal to terminate existing trade agreements 6 months after the cessation of hostilities.

We subscribe to that. I am just now authorized by the representative of the American National Livestock Association, which is the principal national organization of cattlemen, Mr. Mollin, who testified before the House, that the American National Livestock Association joins in that endorsement of the 6-month amendment.

Senator VANDENBERG. We are not proposing to terminate them, we are merely proposing to make them revocable when the time comes.

Mr. MARSHALL. Thank you.

That, Mr. Chairman, in substance, is the basis of what I hoped your committee would be willing to consider.

Senator TAFT. May I ask a question?

The CHAIRMAN. Yes, Senator Taft.

Senator TAFT. Can you tell us anything about the emergency of the old tariff immediately after the last war, the occasion for it, why it was done?

Mr. MARSHALL. Yes.

The market was in a very bad condition at that time. My memory is not as clear on it as it should be, Senator Taft, but the duties were restored. The amounts of them I cannot clearly recall.

Senator TAFT. Did not an emergency arise immediately after the war which required an increase in the wool tariff?

Mr. MARSHALL. That was what President Wilson vetoed, and it came in again under President Harding.

That was the Fordney-McComber Act. It was vetoed, then later adopted quickly and allowed to stand until the regular bill was passed under the Republican administration.

Senator TAFT. What was the occasion for it?

Mr. MARSHALL. We were under a free-trade basis and the prices were ruinous to the wool growers.

Senator DAVIS. There were large stocks on hand, were there not, after the last war?

Mr. MARSHALL. When the war closed the Government had 525,000,000 pounds of wool on hand.

Now it has a billion.

Senator TAFT. Was there also a large amount of wool in Australia that was released?

Mr. MARSHALL. Yes. The situation was entirely different at that time.

There was a large stock of wool in all the exporting countries. The prices were very much depressed. In the days of President Harding the emergency tariff was passed, which obtained until the Fordney-McComber bill was passed.

Senator TAFT. Then the wool tariff was reduced to the 50 percent figure, and was bound there for 3 years after the war by some treaty. Might that produce a crisis in the wool industry after this war?

Mr. MARSHALL. I do not see how it can be avoided.

Senator TAFT. We would, of course, be unable to pass any emergency act because of the provisions in some existing treaties.

Mr. MARSHALL. Yes; and as I referred to here very briefly, shortly before the war and after the Argentine agreement in 1941, I think the State Department made some official statement to the effect of having conversations with Australia.

In the case of Argentina they took the lower coarse wools which we do not produce so largely in this country, they reduced the duty on them. That affected us materially, but the war obscured the real effect of it.

With Argentina it could only reduce the tariff on paragraph 1102, which is our main protection. The war interfered with that. I anticipate it might be resumed after the war and any reduction in that duty would be of serious consequence to the wool growers of the United States.

Senator LUCAS. Just how have these trade agreements affected the price of wool since they have been in effect?

Mr. MARSHALL. Senator, the principal one which affected the price of wool was the Argentine agreement in 1941.

I have not attempted to go into that particularly, because war conditions came on at that time and our wool imports had to be large.

Frankly, the war condition was increasing the price of wool in general at that time. I do not think it is possible to fairly measure the effect on the domestic price of wool of the Argentine reduction.

Senator LUCAS. In the trade treaties that started in 1935, up to 1941, the wool growers lost how much by reason of the treaties?

Mr. MARSHALL. As I stated, Senator, the United Kingdom agreement did not reduce the duty on wool in its original form, but it did reduce the duty on wool in the form of rags, which was reduced from 18 cents to 9 cents per pound. That supplied the dealers with a considerable amount of material which otherwise they would have imported. I have not attempted to measure that from 1938 to 1939.

Because the effect on wool has been all since 1938, I did not think it fair to consider the volumes of import or prices later than 1939, on account of the war. We think we have been very fortunate, Senator.

Senator LUCAS. You have been very fortunate you mean in the price of wool?

Mr. MARSHALL. And in the limitation of the agreements that have been made, the effects of them.

Senator LUCAS. In other words, you have not been affected very much up to this time, but your fear is that in the future, some agreement may be made that will seriously affect the wool growers?

Mr. MARSHALL. That is our principal fear, Senator. The reductions that had been made to the United Kingdom on rags and to Argentina on the low wools have been serious, but owing to the effect of war conditions, it is really impractical to measure it definitely in dollars and cents.

The CHAIRMAN. Thank you very much, Mr. Marshall.

All right, Senator O'Mahoney, we will be very glad to hear you.

**STATEMENT OF HON. JOSEPH C. O'MAHONEY, UNITED STATES  
SENATOR FROM WYOMING**

Senator O'MAHONEY. I believe the issue which is presented to the committee is one of the most fundamental importance. As a matter of fact, it seems to me that the Congress of the United States, as a legislative body exercising the constitutional authority which was given to it by the constitution, now stands on the brink of oblivion and is about to jump off.

For more than 20 years there has been a constant growth of executive power at the expense of the legislative power.

We see that growth in every avenue of government. It would not have been possible if it had not been for the fact that Congress has nonchalantly acquiesced in the delegation of the legislative power to the Executive. I am profoundly convinced, Mr. Chairman, and gentlemen of the committee, that by the action of the Congress upon this measure with respect to whether or not it shall retain for Congress some degree of supervision over the action of the Executive power will depend the future ability of the people of the United States to control the action of their Government through the Congress.

This is the crisis of the struggle between the Congress and bureaucracy. I do not need to tell the members of this committee that such a struggle has been going on. We see it on every hand.

Members of the executive are interested enough to pay lip service to Congress, to its functions, to its duty and responsibility, but it is only lip service.

If it is necessary for some bureau head to get the confirmation of the Senate before he may exercise his powers, every member of the Senate will be besieged by his friends until the confirmation is secured, and then when the confirmation is secured as likely as not you will find such a person saying, "Congress is calling me up before its committees too often. Why don't they let me alone to do my work?"

We have had examples of that.

So, Mr. Chairman, I do not intend to come here this morning to thresh old wheat. I am not going to make the old argument about the constitutionality of trade agreements, the distinction between treaties and trade agreements; I am not going to discuss the question as to whether or not this is an exercise of the taxing power, I mean, in the Reciprocal Trade Agreements Act which, under the constitution, belongs to the Congress, and which should be initiated in the House of Representatives. I am not going to discuss the question of whether or not this is a regulation of commerce. Of course, it is all of those things. The Reciprocal Trade Agreement Act does invade the field of treaties; it does invade the field of revenue legislation; it does invade the field of regulation of commerce.



What I want to point out to you first of all, is the constitution says that in international arrangements which assume the dignity of treaties the Senate is part of the executive power.

In the matter of revenue legislation, the constitution said that revenue bills shall initiate in the House. It was the traditional view of the framers of the Constitution that the power of the purse is the very essence of democratic government. so the framers of the Constitution were careful to preserve the power of the purse for the elected representative of the people.

Now, for 10 years we have been delegating that power to the executive arm of government. The Constitution says in words that cannot be misunderstood Congress shall have the power to regulate commerce with foreign nations and among the several States, the Indian tribes, and so forth.

The power to regulate commerce under our system is a congressional power.

Why should I indulge in legalistic argument on whether or not this power should be delegated and may be delegated, whether or not the Trade Agreements Act sets forth a standard?

Every lawyer on this committee knows that the courts have invariably held that Congress cannot delegate its legislative power unless it prescribes a standard which is intelligible and capable of being followed.

I am not going to urge upon this committee what I know and what I have said before that there is no standard here. I am talking to you now about the elimination of the voice of Congress from the reorganization of the world when this war is over, that is what we are talking about and let nobody make any mistake about it.

I am saying to you gentlemen there is no power under heaven that can strip the Congress of the United States of its authority to act for the people of the United States except the Congress itself, and we are doing it so fast that it appalls me.

This committee on the 2d of March unanimously recommended to the Senate the enactment of a resolution setting up a special committee to study post-war economic policies.

This committee asked the Senate of the United States to appoint 10 members of the Senate to study the problems of the post-war world, and to make a report to Congress. Let me read that resolution to you:

*Resolved*, That there is hereby established—

(a) A special committee to be known as the Committee on Post-War Economic Policy and Planning (hereinafter referred to as the special committee).

(b) The special committee shall be composed of 10 Members of the Senate, 6 from the majority and 4 from the minority, appointed by the President of the Senate.

(c) It shall be the duty of the special committee to investigate all matters relating to post-war economic policy and problems; to gather information, plans, and suggestions from informed sources with respect to such problems; to study the plans and suggestions received; to report to the Congress from time to time the results of findings made and conclusions reached. It is the sense and purpose of this resolution to make accessible to the Congress, through the special committee, the most complete information respecting post-war economic policy and post-war problems that is available, to the end that Congress may be advised respecting those problems and in a position to formulate solutions with respect to them which will result in the greatest contribution by the Congress to achievement of a stable economy and a just peace. It is intended that full authority to accomplish this general purpose shall be granted by this resolution.

## HEARINGS: SUBPOENAS: DISBURSEMENT OF APPROPRIATIONS

SEC. 2. The special committee, or any subcommittee thereof, shall have power to hold hearings and to sit and act at such places and times, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable, not exceeding the sum or \$50,000. Subpoenas shall be issued under the signature of the chairman of said committee, and shall be served by any person designated by him. Amounts appropriated for the expenses of the committee shall be disbursed by the chairman.

## OFFICERS AND EMPLOYEES: APPOINTMENT AND COMPENSATION

SEC. 3. The special committee shall have power to employ and fix the compensation of such officers, experts, and employees as it deems necessary for the performance of its duties, but the compensation so fixed shall not exceed the compensation fixed under sections 661-663, 664-673, and 674 of title 5 of the United States Code for comparable duties. Officers and employees of the Government shall be detailed to the service of the special committee on its request, without additional compensation, and such officers and employees shall be paid from the appropriations regularly available for their salaries.

Gentlemen of the committee, how can the Senate of the United States, or this special committee, or this committee make any contribution to the solution of these post-war problems if we blithely surrender to the executive the complete and absolute power contained in the Reciprocal Trade Agreements Act without review to regulate international trade?

Sometimes when I think about this problem, I am impressed by the thought that many of us, in discussing it in the past and in thinking about it now, are guided by habit of thought. We still imagine that international trade and commerce is the exchange of goods and services among individuals, among the representatives of free enterprise, whereas if we know a thing about what has been happening in the world for the last 20 years, we know that international trade is now governed by Government action and by the action of international cartels.

When we think of trade and commerce in the terms of 50 years ago, we are thinking of an old, old world. I should like to see the Congress of the United States begin to think in terms of the world that is to be after this war.

What brought on the collapse? Those who have advocated the Reciprocal Trade Agreements Act have said that it was brought about by an increase of nationalism, it was brought about by high tariffs. Why, gentlemen, that is just a superficial view. What happened was that the lending power of banks and of Government failed.

For 20 years we have been building up markets by lending money to the purchasers, hoping that somehow or another trade would be gotten back on its old basis.

We are talking about synthetic rubber today. What about that question of synthetic rubber?

Don't we know that the British Government and Dutch Government had an international cartel which controlled the price of rubber?

Don't we know that that was not a matter of the exchange of goods and services among the people? The rubber trade was controlled by the Governments. It was a government act.

When we think of steel and copper, when we think of tungsten and the General Electric, can we close our minds to the fact that the International Cartel, the combination of I. G. Farbenindustrie and Krupp

in Germany, with some of our own great industrial organizations like the General Electric dominated the trade?

They entered into the international agreement without so much as a "by your leave" of the Senate of the United States.

They made their reciprocal trade agreements. Congress had nothing in the world to say about them, and the people whom the Congress represents, were the victims of these trades.

Is it going to be any correction of that system to transfer this power completely to the executive branch of the Government?

No, some gentlemen may think that this is a mere figment of the imagination.

I say to you gentlemen of the committee that you are dealing with the most fundamental question that has arisen in the American political and constitutional scene in 100 years.

I want to call your attention to the testimony of the Honorable Francis B. Sayre before the House committee. He was asked to explain the fact that of the 26 countries with which we have negotiated trade agreements only 4 have placed the legislative body in the position of impotence, that the Congress of the United States has done for itself.

"How does it come," Assistant Secretary Sayre was asked, "that of all these countries 22 retain in some form or another the legislative power to approve these trade agreements?"

Now just listen to his answer. I am reading from page 164 of the House hearings. This testimony was given on April 14. He was asked about the list of countries.

"Who issued this list?" Mr. Knutson of the House committee asked.

MR. SAYRE. I am not sure whether it is the Tariff Commission or the Department of State. I can't say offhand, sir; I am not sure which.

The agreements not requiring subsequent foreign legislative action are those made with Belgium and Luxemburg, with Cuba, with Ecuador, and with Peru.

I interrupt long enough to point out that the trade agreement with Belgium and Luxemburg was in fact a treaty, because it modified a previously made treaty.

No matter what you may say about regulation of commerce, or what you may desire to say about the taxing power, that trade agreement did, in fact, modify a treaty which had previously been modified by the Senate of the United States in accordance with the Constitution.

Then returning to Mr. Sayre:

Those agreements put into effect provisionally, subject to eventual foreign legislative action, are Argentina, Canada, Czechoslovakia, France, Netherlands, Switzerland, Turkey, United Kingdom, and Venezuela.

Those agreements which did not become effective until after foreign legislative action are Brazil, Colombia, Costa Rica, Cuba, El Salvador, Finland, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Sweden, and Uruguay.

I shall refrain from making the comment which comes to mind in this connection.

In order that I may lay before this committee the seriously distorted and naive opinion of Mr. Sayre with respect to the executive and legislative power, Mr. Sayre was cognizant of the fact that this list which he had just given of little republics in Latin America showed greater loyalty to the principle of legislative representation of the people than the Congress of the United States, and so he wanted to explain it away.

Listen to the explanation:

I would like to add that with respect to many of these, they are agreements with countries under the parliamentary system of government. By that, of course, as you realize, the executive is in control of legislative action.

Can anybody imagine a more complete reversion of the facts?  
He goes on:

So long as the executive, the prime minister, remains in power, he can command the action of the legislature, so that an agreement entered into agreed to by the executive, sanctioned by the prime minister, practically is assured of legislative support. That is, in those countries one does not have the distinction, the separation, I mean, between legislative and executive functions.

Oh, Mr. Chairman, we have that distinction in the United States. The framers of the Constitution were careful to say the Executive shall not be free of the legislative power. And we representatives of the people blithely walk up to the bar of history and say, "Despite everything that has happened in our past we desire to surrender to the Executive this power which the framers of the Constitution said belongs to the people through their representatives."

Senator BAILEY. Senator, it is not so much a desire as incapacity. I would like to have you address yourself to that.

You are very eloquent in expressing it. How can we go about it? What is your suggestion?

Senator O'MAHONEY. May I come to that in just a moment?

I want to finish the analysis of what Mr. Sayre has said.

"So long as the executive," he says, "the prime minister, remains in power, he can command the action of the legislature."

Now we all know perfectly well that the prime minister in a parliamentary government holds his position at the will of the parliament. He cannot command the parliament. The moment that he takes an action which is out of harmony with the will of the parliament, that moment he loses his political head. But in this country, when the legislative surrenders its power of supervision over the executive, then indeed the executive becomes all-powerful, then indeed do we find that the executive power of the government is being built up at the expense of the legislative.

Oh, Mr. Chairman, it seems to me that there never was a time in all the history of this Government when it was of greater importance that the elected representatives of the people should stand, without trembling or taking a single backward step, for the preservation, complete and unadulterated, of legislative power.

Now, I come to the question asked by the Senator from North Carolina.

All that is necessary, I will say to the Senator, is for the Congress to equip itself with its own experts, to equip itself with a sufficient staff to do the work which ought to be done and which must be done. Of course, the life of this age is much more complicated than the life of 50 years ago, or 100 years ago, but we create these expert executive bureaus now under the aegis of the Executive and then we surrender the power and practice of supervision over them. Indeed, if we do try to exercise any supervision, then the cry goes out, "What is the Congress interfering with the Executive for?"

They say we are interfering with the efficiency of government. And yet there is not a Member of the Senate, or a Member of the

House, who cannot point out innumerable instances of the inefficiency of the bureaus, the incompetence of the bureaus to do the work which has been delegated to them.

Senator DANAHER. Senator, may I ask you a question?

Senator O'MAHONEY. Let me add just this word. Take this Committee on Finance now for the fourth time dealing with this problem of reciprocal trade agreement.

We have been content through all this period of 10 years to invite spokesmen from various parts of the country, representatives of interested organizations, to come here and give their testimony, and then we dismiss them. What effort has been made by the Ways and Means Committee of the House and by the Finance Committee of the Senate to enter into all of the problems that affect this question of international trade?

Let us take for example, trade with the Latin-American countries. How much testimony is there before this committee or before the Ways and Means Committee about the loans of the Export-Import Bank in Latin America? Mr. Nelson A. Rockefeller was testifying before the House committee and he is the Coordinator for Inter-American affairs, and he was attributing to the reciprocal trade program the increase of trade with Latin America and he said—I have forgotten the figures—trade has increased from \$462,000,000 in 1932 to \$960,000,000, let us say, in 1939.

I want to call your attention to the fact that as of May 17, 1943, the authorizations and commitments of the Export-Import Bank of Washington to Latin-American countries amounted to \$757,134,014.79. Does anybody imagine that that has nothing to do with this trade? That is the action of a Government body. It is not the reciprocal trade agreements that are building up the trade with Latin-America.

What about the purchase of gold? The Executive buying gold in South Africa, digging it up from the ground there, transporting it across the seas, and burying it in the ground here in order to increase trade.

Senator LODGE. Will the Senator permit a question?

Senator O'MAHONEY. Surely.

Senator LODGE. When the Senator says Congress stands on the brink of oblivion I do not think he exaggerates at all. It seems to me that this procedure in this resolution can be followed in a way so as to bypass Congress entirely.

Senator O'MAHONEY. I am going to show that that is precisely the intent.

Senator LODGE. Let me ask the Senator, When is an agreement between nations a treaty, and when isn't it?

Senator O'MAHONEY. Well, as I said at the beginning, it had not been my intention to go into that old argument. That was all presented very lucidly by Senator Pittman in 1940. In the course of that argument at that time the same question arose: What is the difference between a trade agreement and a treaty? I will say to the Senator, as I see it, and I think a study of all the international agreements will bear it out, a treaty is an international agreement which states a course of policy affecting the public welfare over a period, whereas an executive agreement is an international compact or convention to carry out a policy which has already been determined by the proper legislative authority of the Government.

Now, in the course of the discussion, when Senator Pittman was speaking—I am reading from page 3322 of the Record of March 25, 1940—I interrupted him in order to read into the Record some material that had been presented, mistakenly I thought, by Congressman Robertson, of Virginia, to show that there is no distinction between treaties and trade agreements. The then chairman of this committee, Senator Harrison, inserted it into the Record, and I thought that the record of the Senate should contain it.

Mr. Willis Robertson was quoting from the opinion of Chief Justice Taney in the case of *Hames v. Jannison*, 14 Peters 540, page 571. Now the virtue of this quotation, of course, is that it is the authority cited by the principal advocate of the Reciprocal Trade Agreements Act in the House of Representatives and the Ways and Means Committee. This evidently was the very best authority he could find. I am quoting now from Chief Justice Taney as quoted by Mr. Robertson:

In the very next clause of the Constitution, the States are forbidden to enter into any "agreement" or "compact" with a foreign nation; and as these words could not have been idly or superfluously used by the framers of the Constitution, they cannot be construed to mean the same thing with the word "treaty."

Now, there is no need of disagreeing over that. A trade agreement and treaty are different things.

A few extracts from an eminent writer—

the Chief Justice went on—

on the laws of nations, showing the manner in which these different words have been used, and the different meanings sometimes attached to them will, perhaps, contribute to explain the reason for using them all in the Constitution; and will prove that the most comprehensive terms were employed in prohibiting the States all intercourse with foreign nations.

Chief Justice Taney is saying that when the Constitution prohibited the States from making an agreement or compact with foreign nations the Constitution was prohibiting all international intercourse, and I assume nobody will debate that.

Vattel—

now he is quoting an authority—

page 192, section 152, says: "A treaty, in Latin foedus, is a compact made with a view to the public welfare, by the superior power, either for perpetuity or for a considerable time."

Then section 153:

The compacts which have temporary matters for their object are called agreements, conventions, and pactions. They are accomplished by one single act, and not by repeated acts. These compacts are perfected in their execution once for all; treaties receive a successive execution, whose duration equals that of the treaty.

That is the end of the quotation from the authority made by Chief Justice Taney.

Senator LODGE. Isn't it true that the decision as to whether a certain international understanding is or is not a treaty must rest with the executive branch of the Government?

Senator O'MAHONEY. No; not at all. There is no provision of the Constitution anywhere that says the executive branch of the Government should decide which is a treaty and which is not.

Senator LODGE. What is the practical matter?

Senator O'MAHONEY. The practical matter is this—and this is the concluding phase of my talk here—that for 20 years there has been a conscious effort in the State Department to build up the trade agreements—not the trade agreements, the executive agreement at the expense of the treaty-making power.

Senator BAILEY. The St. Lawrence treaty was negotiated by three Presidents. The last time the thing came down it came down as an agreement. The fact we had agreed to these trade agreements was cited as authority and precedent for us to acquiesce in the St. Lawrence treaty.

Senator O'MAHONEY. Exactly.

Senator LODGE. That is just my point. In that particular case the executive branch of the government, as Senator Bailey mentioned, decided it was not a treaty, that it was an agreement. Why cannot they do it again, and in that case what is Congress going to say about it?

Senator O'MAHONEY. The Senate of the United States at this moment is the last barrier between complete executive domination of the Government of the United States and a loss of legislative power. We can write this into the law now. We can say in words that nobody shall misunderstand that these agreements, before they become effective, must have the approval of the people's representatives. I say to you gentlemen of the committee, unless you do it—unless you do it—your power to share in the reorganization after the war has been won will have been wiped out. There is a conscious effort to destroy the treaty-making power of the Senate.

I recommend to the reading of every member of this committee before action is taken on this agreement or on this resolution—

Senator BAILEY (interposing). I think that effort is manifest in the resolution in the Senate, is it not?

Senator O'MAHONEY. Thank you. I am glad the Senator says that.

I want to call your attention to the book on International Executive Agreements, published in 1941 by Mr. Wallace McClure, a civil-service employee of the State Department, who has prepared a very exhaustive and able analysis of trade agreements, Executive agreements, and treaties. The whole purpose of it is to say that the ratification of treaties in the constitutional method is undemocratic and should be done away with, and that in its place there ought to be the Executive agreement. We are already told that it is not necessary and probably undesirable to have a definitive treaty of peace for the termination of the war. We are told that the executive arm of the Government, through the military power and through the power of international trade, shall govern these countries which are to be conquered.

Why, gentlemen, if that be the plan, on the very threshold of the greatest crisis in democratic reorganization in the history of the world, the legislative body of the United States, the Congress, surrenders its power, then the Senate need not worry about treaties or post-war agreements.

Let me read what Mr. McClure's argument is. I am reading from page 251.

The factual basis of the present thesis may now be regarded as complete. Effort was made in part 1 to demonstrate in comprehensive fashion the extent of the actual use of the Executive agreement as an instrument of national procedure and policy. In both variety and numerical preponderance the Executive agreement system was shown to be a worthy team mate of the treaty system in the development and maintenance of American international relations.

Now, the statistics which he presents show that the year 1920 represents what he calls the median point. Before 1920, throughout the history of the United States, there were fewer Executive agreements than treaties. Since 1920 there have been more Executive agreements than through the entire history of the United States prior to 1920. Gradually the Executive power has been built up.

Senator BAILEY. Most of those were under this Reciprocity Act, were they not?

Senator O'MAHONEY. No; there were only 30 of those.

Senator BAILEY. How many others were there?

Senator O'MAHONEY. I can turn to the exact page here.

Senator BAILEY. Don't trouble. We can get it.

Senator O'MAHONEY. Well, it is important. On page 4 of this volume Mr. McClure says:

The numbers of treaties and Executive agreements have increased with the vast expansion of world affairs, reflecting the growing participation of the United States. During the first 50 years of Government under the Constitution the President is known to have entered into some 27 international acts without invoking the consent of the Senate, while 60 became law as treaties; for the second half century the figures appear to be 238 Executive agreements and 215 treaties; and for the third similar period 917 Executive agreements and 524 treaties. For treaties the midway point of the enumeration coincides rather closely with the advent of the twentieth century (beginning of 1903); for the Executive agreements listed the median year is 1920.

Now, returning to the argument which was presented on page 251, Mr. McClure goes on:

That the making of Executive international agreements is authorized by a constitutional usage and that the Constitution of the United States, like that of every other country, consists not merely of a particular charter or similar instrument of Government but also largely of institutionalized habits or customs—usages—was the theme of part 2. The parallel course of constitutions with a core of what is regarded as in a special sense superlaw, and the English Constitution, which lacks one, was indicated, and outstanding American usages, like judicial review and the employment of executive agents, were the subject of discussion.

He is asking his readers to adhere to his theory that the Constitution, even in the vital matter of the ratification of treaties, may be amended by usage, and the effort is made to show that gradually there has been an invasion of the field of the treaty by the Executive agreement, and because of that invasion we ought now to consent to it.

Senator CLARK. Senator, there is a very essential and vital difference, is there not, between Executive agreements negotiated under such a resolution, the extension of which we now have before us, by specific authority of Congress, and any Executive agreements that were not authorized by Congress?

Senator O'MAHONEY. Oh, yes; certainly.

Senator CLARK. Executive agreements negotiated under the old postal convention law is one thing, but there is certainly no precedent for such an instance of Executive agreement as Senator Bailey referred to a moment ago.

Senator O'MAHONEY. Certainly.



Senator CLARK. I do not believe that they are on all fours with cases where Congress has specifically authorized the negotiation of such Executive agreements.

Senator O'MAHONEY. The Senator from Missouri, like myself, has been a lifelong advocate of the principles of Thomas Jefferson. Jefferson believed in the strict construction of the Constitution in order to preserve the power of the people in their States and in their localities. He was against the broad construction of the Constitution which was designed, as he saw, to build up the Executive at the expense of the people, and so throughout his history you will find that golden thread defending the rights of the people in their local communities against the central power—and now we are asked to reverse that.

I say that this constitutional debate over the construction of the Constitution is more important today than it was in the time of Jefferson, because now the world is toppling before the advance of the totalitarian regimes, and we in the Senate of the United States are asked to give our aid and comfort to the advance of the totalitarian theory in the United States of America.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Senator O'Mahoney, will you let me interject for just a moment?

Senator O'MAHONEY. Surely.

Senator MILLIKIN. I want to invite your attention to article I, section 7, of the Constitution that puts in Congress the power "to make all laws which will be necessary and proper to carry into execution the foregoing powers," referring to congressional powers, "and all other powers vested by the Constitution in the Government of the United States, or in any department or officer thereof."

Senator O'MAHONEY. Yes, of course.

Senator MILLIKIN. I think that has the most pertinent relevancy to these agreements that we have been talking about.

Senator O'MAHONEY. The whole question here is whether or not Congress is going to abdicate its power, and I say to you if in this crisis we permit this act of abdication we shall find it difficult indeed to regain the people's power which we have so blithely tossed aside.

We are now passing upon trade agreements in abnormal times. This is not the situation that existed in 1934 or in 1937; it is scarcely that which existed in 1940, although 1940 was much more identical. In the argument in that year I pointed out that the world was at war, that trade agreements could not be made for the purpose of building up international trade. Mr. Sayre proves my statement now in his testimony by saying that international trade since 1939 has been merely the act of government, affected by the war, by submarine campaigns, by shipping shortages, by supply and demand. Why, government has assumed complete authority, and necessarily so, of course, to win the war, but what I am pointing out is that we are surrendering the power to win the peace, and I am showing you that a responsible employee of the Department of State has laid down the formula. Let me read a few more words.

Senator DANAHER. How do you need any better illustration of the points you are making than the agreement concluded between Mr.

Sumner Welles and Mr. Churchill in February 1942, which purports to be an Executive agreement?

Senator O'MAHONEY. The Executive is advancing steadily into the field of the legislative. I do not pretend to say that Congress is without blame—of course it is to be blamed, Congress has not done its job, Congress has not worked hard enough. We appropriated \$29,000,000—

Senator BAILEY. Billion.

Senator O'MAHONEY. No; \$29,000,000. I am talking about the appropriation for the expenses of the Congress, of the Senate and House, to pay the salaries of all Members, to pay the salaries of all clerks, to pay all the expenses. We have appropriated annually less for the Congress than we appropriate for the publicity bureaus of the departments. How can it be said that Congress is doing its job?

Senator VANDENBERG. Will the Senator permit me to make a suggestion to him?

Senator O'MAHONEY. Certainly.

Senator VANDENBERG. The Senator is presenting the argument that usage is constantly being played as a progressive reason to further invade the Congressional authority. I call his attention to what I think is the most important contemporary exhibit to prove that the Senator is not dealing in a merely imaginary hazard. I call his attention to article VII in the master agreement made under the Lend-Lease Act which spells out the precise purpose that the Senator now discusses, and by way of conciliation and hope I remind him of what happened before the Foreign Relations Committee of the Senate, without regard to party, when it reported the extension of the lend-lease agreements bill, article VII, and notified the world that we would have no responsibility.

Senator O'MAHONEY. I say to you gentlemen of the committee, make your fight here and now. If you do not do it you will have lost your power.

I know that the members of the committee are anxious to get to the Senate, and I will hurry along, reading one or two more extracts. Now listen to this, please. This is from page 252:

While through citation of judicial decisions and otherwise there has heretofore been no hesitation to invoke the terms of stated law, hereafter, in part 3, strictly legal reasoning will hold the center of the discourse. It is believed that the President has, and was intended to have, under the Constitution, all the powers and the functions of the head of a fully recognized member of the society of nations; that he has, accordingly, the authority to enter into any manner of international act, on any subject, that is entered into by other states of the world.

Is it any wonder that Mr. Sayre, in explaining the attitude of the backward nations of Latin America in preserving the legislative power, has said that in some of these countries the parliament system is under the control of the executive? That is what they want, Mr. Chairman and gentlemen of the committee. And bear in mind it is a matter of growth. It has been growing, as Mr. McClure has pointed out, not in this administration alone but in previous administrations as well.

The tendency to use power to extend power is clearly manifested here, as it has been everywhere else, but are we to say in the Finance Committee of the United States Senate, as Mr. McClure says, that it was the intention of the Constitution that the President should have "all the powers and the functions of the head of a fully recognized

member of the society of nations"? Why, that is perfect and complete nonsense. The intention of the framers of the Constitution was that the people should control the Government.

Senator MILLIKIN. The Constitution, Senator O'Mahoney, says otherwise in explicit language.

Senator O'MAHONEY. You mean otherwise than what Mr. McClure says.

Senator MILLIKIN. Yes, exactly.

Senator O'MAHONEY. The Constitution says in explicit language what the respective powers are.

Senator MILLIKIN. Exactly.

Senator O'MAHONEY. Of course, the point is, I will say to the Senator from Colorado, that these executive experts under civil service are impatient of Congress, they are impatient of the politicians who are elected by the people and give some concern to popular wishes. They are impatient to log-rolling, they say. They do not want to be impeded in the exercise of their wise judgment in doing what ought to be done.

But, gentlemen of the committee, democracy was not established for the purpose of efficiency, it was established for the purpose of liberty and freedom. There are not enough executive experts in all of Washington to exercise wisdom and power that is greater than the power of the people through their legislative representatives.

The Constitution is not outmoded. They will tell you it is. If the Constitution is turned into scrap and a new world is reorganized by Executive decree, then totalitarianism has come to America.

I will read just one more word, gentlemen, and then I will ask leave to put the rest in the record. May I read this from page 363:

The President can do by Executive agreement anything that he can do by treaty, provided Congress by law cooperates. And there is a very wide field of action in which the cooperation of Congress is not necessary; indeed, where Congress possesses no constitutional authority to dissent.

Mr. Chairman, gentlemen may argue themselves into the belief that because a reduction in tariff duties may be beneficial, it should be done in an extra constitutional way. Gentlemen may argue themselves into the belief that efficiency requires the increased power of the Executive, but when they do this they are arguing against the fundamental principle of our Government, which is that the people shall control.

For my part, I am not ready to take this step of abdication.

Now, Mr. Chairman, let me ask that there may be printed in the record at the conclusion of my remarks the text of the amendment which I have already presented on the floor of the Senate, and which is the same as the one which I offered in 1940.

(The amendment referred to is as follows:)

[H. J. Res. 111, 76th Cong., 1st sess.]

AMENDMENT intended to be proposed by Mr. O'Mahoney to 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, viz:

On page —, line —, insert the following: "No foreign-trade agreement hereafter entered into under the authority delegated to the President by such section 350, as amended, no amendatory or supplementary agreement hereafter entered into under such section, and no duties and other import restrictions specified in a proclamation issued by the President to carry out any such foreign-trade

agreement or any such amendatory or supplementary agreement, shall take effect until the Congress by law has specifically approved such agreement and the duties and other import restrictions so specified to carry out such agreement."

Senator O'MAHONEY. I also would like to insert in the record another amendment. I have drafted this amendment merely for the purpose of drawing a contrast between those countries which still are loyal to the legislative principle. It reads as follows:

At the end of the joint resolution insert the following section:

"SEC. —. No foreign-trade agreement or amendatory or supplementary agreement hereafter entered into under such section, which is subject to the approval of the legislative authority of the foreign government with which such agreement is made, shall become effective until it shall have been approved by the Congress in the same manner as that in which it is required to be approved by the legislative authority of such foreign government."

Now, there is just one other thing—

Senator VANDENBERG. Before you leave that, Senator, let me be sure I understand you. The language in your amendment is "until the Congress by law has specifically approved such agreement," is that right?

Senator O'MAHONEY. That is the printed amendment.

Senator VANDENBERG. You are not referring to the ratification of a trade treaty by two-thirds of the Senate?

Senator O'MAHONEY. No. I understand Senator Maloney is offering such an amendment.

Senator VANDENBERG. This language means a vote of both Houses?

Senator O'MAHONEY. This language means a vote of both Houses; yes.

I ask unanimous consent that there may be printed at the conclusion of my remarks the daily summary of loans of the Export-Import Bank of Washington as of May 17, 1943. This shows the loans and authorizations for Latin America, for China, and for other countries, and the total.

Senator VANDENBERG. Does that include the commitments made by Mr. Wallace the last time?

Senator O'MAHONEY. This does not include anything that has been done by the Board of Economic Warfare. That is another field into which this committee ought to go before it decides to abdicate the legislative power.

(The table referred to is as follows:)

*Export-Import Bank of Washington, daily summary of loans, May 17, 1943*

	Latin America	China	Other	Total
Authorizations.....	\$757,134,014.79	\$138,943,329.00	\$246,789,614.86	\$1,142,866,959.64
Cancellations and expirations...	199,635,012.46	1,526,800.00	102,295,308.21	303,457,120.67
Disbursements.....	184,705,707.74	114,978,314.56	93,773,114.23	393,457,136.53
Repayments.....	91,789,896.11	49,811,361.49	62,764,917.46	204,366,175.06
Outstanding loans.....	92,915,811.63	65,166,953.07	31,008,196.77	189,090,961.47
Undisbursed commitments.....	378,444,045.40	22,438,215.43	50,863,278.91	451,746,539.74
Total undisbursed commitments plus outstanding loans.	471,359,857.03	87,605,168.50	81,871,475.68	640,836,501.21

Senator O'MAHONEY. Finally, Mr. Chairman, I have prepared a summary of some of the things I wanted to say. I will not burden you with reading it. If I may, I should like to have that printed also.

The CHAIRMAN. It may be printed in the record.

(The summary referred to is as follows:)

**SUMMARY OF STATEMENT OF SENATOR JOSEPH C. O'MAHONEY, OF WYOMING, TO THE FINANCE COMMITTEE OF THE SENATE ON MAY 19, 1943, ON THE EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS**

The legislative power never stood in greater jeopardy in this country than it does at this moment. The conflict between the Congress and the bureaucracy reaches its crisis in this bill to extend the Trade Agreements Act without the right of legislative review. If it is passed in this form, the executive power will have won a decisive victory over the legislative power from which Congress will find it difficult to recover.

The issue involved is not whether international trade is good or bad, whether it should be encouraged, nor, indeed, whether tariff rates should in normal times be worked out by experts of the Tariff Commission and other Government agencies without reference to Congress. It is simply whether in the greatest international crisis in which this country has ever been engaged, the Congress of the United States should voluntarily abdicate its power over international economic reorganization.

This committee on March 2 unanimously reported to the Senate the resolution introduced by its chairman providing for the organization of a special committee "to investigate all matters relating to post-war economic reorganization and problems." That resolution was adopted. The committee was appointed and it is now in existence under the specific instructions of the Senate "to make accessible to the Congress the most complete information respecting post-war economic policy and post-war problems that is available, to the end that Congress may be advised respecting those problems and in a position to formulate solutions with respect to them which will result in the greatest contribution by the Congress to the achievement of a stable economy and a just peace."

It is inconceivable to me that a committee of the United States Senate which has such a concept of the power and responsibilities of the Congress should now, within less than 3 months, give its approval, without amendment, to a measure which in effect completely delegates to the Executive all legislative power with respect to post-war economic policy.

There is no authority in this country which can strip Congress of its power to serve the people except the Congress itself. If this measure passes without retaining some form or semblance of congressional supervision over the arrangements that are to be made during the next 2 or 3 years to shape international economic policies, Congress will have reduced itself to a position of impotence in the very field in which it owes to the people of the United States its ablest and most unremitting endeavors.

For fully 20 years the Executive has been building itself up at the expense of Congress, which, unfortunately, has been too ready to acquiesce in the transfer of its constitutional powers to the constantly multiplying boards, commissions and bureaus. Nowhere has the diminution of congressional power been more manifest than in the field of international relations. Whereas in the early history of our country most international compacts were in the form of treaties, the last several decades have seen a complete reversal of the method of international arrangement. We now have more executive agreements by far than we have treaties. Indeed there have been more executive agreements during the last 25 years than during the entire previous history of the Government.

There has been a growing tendency in the State Department to regard the Executive as more significant and important than the legislative branch of the Government. Nowhere I think has this new view of the comparative importance of these two branches of government been more clearly, and also more naively expressed, than by Hon. Francis B. Sayre, Special Assistant to the Secretary of State, in his testimony before the House Ways and Means Committee on April 14.

He was asked to say how many of the reciprocal trade agreements into which this country has already entered required legislative approval in the countries with which they have been made. It is a shocking thing to consider that while the Congress of the United States has nonchalantly surrendered its right to review these agreements on behalf of the people whom they represent, in only 4 of the 26 countries with which we have made these agreements does the legislative branch have nothing to say about the approval of the pacts. In the remaining 22 countries the legislative power of review is retained.

Explaining this contrast which reflects so sadly on our devotion to the principles of popular government as compared with the countries with which we have negotiated, Mr. Sayre said:

"I would like to add that with respect to many of these, they are agreements with countries under the parliamentary system of government. By that, of course, you realize the Executive is in control of legislative action. So long as the Executive, the Prime Minister, remains in power he can command the action of the legislative so that an agreement entered into, agreed by the Executive, sanctioned by the Prime Minister, practically is assured of legislative support. That is, in those countries one does not have the distinction, the separation, I mean, between legislative and executive functions."

It would be difficult to imagine a stranger or more unwarranted distortion of the realities of the parliamentary system. Under a parliamentary government the Executive is not in control of legislative action, as Mr. Sayre so blandly asserts. The legislative power is at all times in complete control of executive action and when the Prime Minister acts, he acts with the understanding that his policy must be the policy of the legislative arm at the peril of his own political existence.

The truth of the matter, however, is that Mr. Sayre's conception of the superiority of the Executive to the legislative power is shared by his associates in the Department of State as evidenced by the recently published book on International Executive Agreements by Mr. Wallace McClure of the State Department staff. Let me quote from Mr. McClure (p. 252 of his book):

"It is believed that the President has, and was intended to have, under the Constitution, all the powers and functions of the head of a fully recognized member of the society of nations; that he has, accordingly, the authority to enter into any manner of international act, on any subject, that is entered into by other states of the world; and that, while this power must be exercised without violation of the Constitution and in accommodation with other possibly conflicting powers granted by the Constitution, notably, the powers of the legislature, an Executive agreement not in contravention of the Constitution and not in conflict with any act of Congress (best shown by positive congressional confirmation either before or after signature) is binding on all of the Executive and all the law-enforcing agencies of the Government and is the equivalent of law."

Again from page 363 I quote the following:

"The President can do by Executive agreement anything that he can do by treaty, providing Congress by law cooperates and there is a very wide field of action in which the cooperation of Congress is not necessary: indeed, where Congress possesses no constitutional authority to dissent."

Surely in the light of this it is unnecessary to argue that if the Congress passes this bill in its present form it will voluntarily eliminate itself from all Executive participation in post-war reorganization.

Already we are being told that it will be unnecessary to end this war by a treaty of peace. Indeed, it has been suggested that it would be preferable to have no definitive treaty, but to allow the executive arm of the Government, through its military and diplomatic branches, to conduct post-war reconstruction. If this policy be coupled with the policy set forth in this bill by which the Congress is effectively bypassed, then, obviously, the elected representatives of the people of the United States will be without voice in the reorganization of the new world.

It is said that we do not dare to reassert the legislative power of the people of the United States through the Congress lest the other countries of the world gain the notion that we are to be too jealous of the rights and advantages of our own people. Mr. Sayre's testimony that 22 of the 26 nations with which we have already negotiated reciprocal trade agreements preserve the right of legislative review is, of course, a complete answer to this argument. The Parliament of Great Britain has not surrendered its authority to review trade agreements. The legislators of Canada have not surrendered their power. We are already talking of 4 great United Nations who are to dominate the new world that is to arise after the war. With 2 of these, Russia and China, we have as yet no reciprocal trade agreement. What is to be done by way of trade with these powers will shape the economic destiny of the world. Poor China has been buffeted around so much by the great powers in the past that it may not as yet have developed a national consciousness strong enough to resist the will of its allies, but surely no one will say that Russia will abandon its policy of enlightened self-interest, as it sees it, for fear of being misunderstood by the other nations of the world. Only in the United States are the representatives of the people expected to put blinders on their eyes and gags in their mouths lest their purposes be misunderstood.

If the Congress of the United States, at the threshold of this great crisis, voluntarily eliminates itself from an active part in reviewing the international economic arrangements that are to be made, then it, and it alone, will be to blame if, in the reorganization that is to come, the people of this country will be forced to play the role of Santa Claus for the entire world while other and more realistic nations protect the interests of their populations.

Let no one imagine that this is not a real danger. We delude ourselves if we think that the international trade of this era is to be compared with that of previous generations. As Mr. Sayre said in his testimony to the House committee:

"It is quite clear that no figures since then (1939) could throw any further light upon the issues, for the world has been at war and trade has been dominated by war supply and war blockade, the submarine campaign, the incursions of the enemy, the strategic use of scarce shipping, and the necessities of military operations."

The picture is more unreal as compared with the traditional world trade than even Mr. Sayre's description, for trade in our time is no longer a matter of the exchange of goods and commodities by individual producers and traders, it is a matter of Government loans, Government finance, and international cartels. In all the testimony which has been given in support of these agreements, little or nothing has been said about Government purchases of gold, the devaluation of the dollar, and the operations of the Export-Import Bank of Washington.

Mr. Nelson A. Rockefeller, Coordinator of Inter-American Affairs, testifying to the House Ways and Means Committee on April 13, spoke of the "health restoration of our inter-American trade from the perilously low level of \$472,000,000 in 1932 to \$961,000,000 in 1939." No reference is made to the commitments and authorizations of the Export-Import Bank of Washington to Latin America which amount, as of May 17 of this year, to \$757,134,014.79.

There is respectable conservative financial authority for the statement that in international trade one must never expect all debts to be paid, that trade must be kept alive by systems of credit which do not necessarily involve either exchange of commodities or eventual payment of debt. At this moment, the Government of Great Britain has submitted to us the Keynes plan to provide international credit after the war and, incidentally, to neutralize our gold supply. The Department of the Treasury has its experts working on another plan of international credit to be carried on by bookkeeping manipulation of symbols. The whole purpose of both governments is to maintain markets without trade.

It is not for me to discuss this phase of the problem. Suffice it to say that it is an integral part of the problem of international trade. It is an integral part of the reciprocal trade program. It is an integral part of economic reconstruction after the war. Obviously if we delegate to the executive arm of the Government the control over international trade embodied in this bill, we shall be withdrawing from the people of the United States the power to supervise the program to which we are to be committed. That is a surrender of the principles of popular government to which I cannot give adherence.

Senator O'MAHONEY. I am very grateful for the indulgence of the committee.

The CHAIRMAN. Thank you for your appearance.

The commissioner of agriculture of the State of Georgia sent me a wire which he asked to have put into the record, responsive to some things that were put into the House record after the commissioner had appeared before the House Ways and Means Committee. The telegram is in opposition to the continuance of the treaties, the Trade Agreements Act itself.

Also a letter which Mr. Eric A. Johnston, president of the Chamber of Commerce of the United States, has written to me as chairman, in which he says that the chamber, in its recent meeting in New York, approved the policy of the Trade Agreements Act and asked for its continuance. It also refers to his travels in South America and the attitude of the South American states toward the agreements.

(The telegram and letter referred to are as follows:)

[Western Union]

ATLANTA, GA., May 18, 1943.

HON. WALTER F. GEORGE,  
Member, United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: In accordance with our telephone conversation today I am making herewith statement to be entered in the record of your Finance Committee in opposition to trade treaties.

On Friday, April 16, I appeared before the House Committee on Ways and Means and entered protest against authorizing the Secretary of State to enter into trade treaty agreements.

My statement before the House Ways and Means Committee will be found on pages 367 to 383, inclusive, of the House committee on Friday, April 16.

Since some of the statements made by me at the time have been attacked by Secretary Hull's State Department, and these attacks have been put in the record I feel that in all fairness I should have an opportunity to get this rebuttal statement in the record before you and the committee.

I note in today's Atlanta Journal where Secretary Hull appeared before your committee and stated that, "The time has arrived to chart the general direction of our post-war course and begin to make decisions on policies."

I think Secretary Hull hit the nail on the head in that statement. The issue is now squarely before Congress.

If Congress enacts extension of trade treaties at this time, leading the world to believe that we are committed to a post-war course of free trade, then the ground will be laid for bloody wars in the future when we are compelled to repudiate this course.

If, on the other hand, Congress adopts an extension of these trade treaties with the intention of this constituting our post-war policy, then the over-all plan of the internationalists for an industrial empire of England and the United States, with a world empire of cheap raw materials, will be actually in the making.

If the latter is the intended course of Congress, then the American farmer is to be put off the farm and herded into the cities to constitute a surplus pool of industrial labor for the breaking down of organized labor, with our farms permitted to grow up in briar patches and broom sage.

The record of our world trade with Japan for the last 12 years shows how far astray we go when we say that trading with a nation will keep us out of war with that nation.

Every thinking person knows that nations do not go to war because they do not trade with each other. Neither do they go to war because they do trade with each other.

Nations go to war with each other when their interests become converse. They go to war when they are in competition with each other and the competition becomes keen.

It must be remembered always that some of Mr. Hull's treaties are kept secret. The people are not allowed to know what the provisions of these secret treaties are.

Since the treaties whose contents have been released by Mr. Hull are so bad, it is fair to assume that the secret treaties are worse.

Secretary Hull's State Department, in its desperation to counteract the evidence put in the record by me, has resorted to subterfuge unbecoming an American.

According to the Atlanta Journal, the State Department said in part, "Mr. Linder is highly critical of those who in 1936 were not taken in by the alleged offer of Germany to take five or seven million bales of our cotton in barter for Germany's manufactured products. Mr. Linder was evidently willing to do business with Hitler on Hitler's terms, regardless of the effect on American industrial trade. The responsible officials in Washington were not."

In 1934 when Mr. Hull was advocating these trade agreements, his stock in trade argument was that foreign trade would keep us out of war.

According to the statistical abstract of the United States for 1941, by the Department of Commerce, exports of iron and steel to Japan from 1931 to 1935 averaged \$169,567,000 per year.

After the power was given to Mr. Hull to make trade agreements, American exports of iron and steel to Japan jumped to \$204,348,000 in 1936.

Our exports of iron and steel to Japan are responsible for Pearl Harbor and Bataan.



Had it not been for the scrap iron and steel that this country exported to Japan between 1932 and 1942 it would have been impossible for Japan to have conducted an offensive war.

The lives and blood of American boys that have been taken in our war with Japan are chargeable to the Congress and to the Secretary of State, who permitted the shipment of war supplies to Japan during those years.

Increase of shipments to Japan after her attack on China.

In 1931 our exports of iron and steel to Japan amounted to 98,886 long tons. In 1932, our exports of iron and steel to Japan increased to 191,193 long tons, or more than double. In 1933, United States exports to Japan increased to the enormous total of 593,207 long tons.

Secretary Hull asked and received renewal of trade agreements in 1937. With such a record before them, Congress renewed this law and continued to ship iron to Japan.

In 1937, the United States exports of iron and steel to Japan amounted to 2,791,183 tons, in 1938, 1,866,751 tons, in 1929, 2,238,161 tons, and in 1940, 1,351,653 tons.

Terrible story of State Department's misuse of its power over international trade.

In 1931, the year that Japan attacked China, the United States exports to Japan were, 98,886 tons and in 1937 they were 2,791,183 tons.

Our exports of iron and steel to Japan in 1937 were 27 times as much as they were in 1931.

In 1940, Secretary Hull asked Congress for another extension of trade agreements.

In 1940, with this terrible record of selling the Japanese 27 times as much supplies to murder the Chinese with, Secretary Hull went before Congress, asked for and received the 3-year extension of these nefarious trade agreements.

The Congressmen and Senators who voted in 1940 to extend these trade agreements, and who failed to curb our shipments to Japan, had before them the awful example of Japan's premeditated and cowardly attack and murder of Chinese men, women, and children.

Mr. Hull's State Department now has the effrontery to boast that they refused to sell the American farmers cotton to make clothes for the naked people of Europe in 1936, while at the same time, furnishing weapons to the Japanese to murder the Chinese in cold blood.

According to Mr. Hull's State Department, the State Department was carrying on an economic war on its own hook in 1936, but the American people were not permitted to know this.

In 1936 Europe and America were at peace.

The American people did not know that an economic war was being carried on.

It is fair to presume that the Senate and Congress did not know that an economic war was being carried on.

Just to keep the records straight:

On page 4421 of the Congressional Record of Monday, May 10, part of my testimony before the House committee is quoted and shows that the original Trade Agreements Act bore date of June 12, 1934, and was passed by the same Congress that passed the Agricultural Adjustment Act in 1933.

According to Mr. Smith's Journal article, Mr. Hull's State Department made the ridiculous claim that horses and mules are not brought into the United States from Mexico, for human consumption, but are used for dog food and in fertilizer.

According to Statutes at Large, Sixty-sixth Congress, 1919 to 1921, Congress passed an act permitting the sale of horse meat or horse-meat products for human consumption, under rules and regulations prescribed by the United States Secretary of Agriculture.

There are now in the United States, several packing houses who have Government inspectors to inspect horse meat put up for human consumption. This horse meat is being shipped throughout the United States—some of it is coming into Georgia.

Not long ago as Commissioner of Agriculture of Georgia, I stopped the sale of a carload of this horse meat in Atlanta, Ga.

This statement by Mr. Hull's State Department is about as unreasonable as they generally are with trade treaties.

There is in Atlanta, Ga., a plant where mules and horses are converted into fertilizer.

I have before me the figures as to what a horse or mule is worth for fertilizer. A twelve-hundred-pound horse is a big horse, as all farmers and stockmen and horsemen know. A twelve-hundred-pound horse will butcher out approximately 750 pounds. Of this 750 pounds there is approximately 500 pounds of tankage for fertilizer. This horse tankage runs about 10 percent nitrogen, and the Office of Price Administration ceiling price on it is \$5.35 a unit. This 10-percent horse tankage at \$5.35 per unit, has a ceiling price of \$53.50 per ton. One twelve-hundred-pound horse produces about 500 pounds, or one-fourth of a ton, so a twelve-hundred-pound horse would produce \$13.37 worth of fertilizer. In addition to \$13.37 worth of fertilizer or tankage, if the horse were fat, he would produce about 100 pounds of grease, which is worth \$8, and his hide is worth about \$5.

This makes the horse's total value \$24.37 after being processed. Obviously, horses and mules are not imported for fertilizer.

Treaties and tariffs are the prerogatives of Congress.

Every informed person knows that the making of treaties and tariffs are the prerogatives of the Senate and the Congress.

To delegate this power to the Secretary of State is simply a convenient way for Congress to sidestep one of its principal duties.

The American farmer has his eye on Congress as he has never before; let Congress be fair with him.

If Congress extends reciprocal trade agreements with the idea of deceiving the balance of the world into believing that we are ready for equality with all nations, then Congress is guilty of a subterfuge, which will bring another dreadful toll in war in the future.

This is true because neither industry, labor, nor the farmer is going to submit to free trade and everybody knows it.

If Congress extends the power for these trade agreements, intending for this to be a permanent policy of this country, then it is clear that the internationalists scheme of destroying American agriculture and creating a great international raw materials empire to be controlled by an English and American industrial empire is in the making.

Sincerely yours,

TOM LINDER,

*Commissioner of Agriculture, State of Georgia.*

CHAMBER OF COMMERCE OF THE UNITED STATES,  
*Washington, May 19, 1943.*

HON. WALTER F. GEORGE,  
*Chairman, Finance Committee,  
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: Kindly permit me to inform you that the United States Chamber of Commerce has, for more than 10 years, supported the Reciprocal Trade Agreements Act and its extension. Recently, at the New York convention the resolution that "The policy of the Trade Agreement Act should be continued" was passed.

But of even transcending significance would be the psychological effect upon an uneasy world of any negative or discouraging act on the part of this Nation. Repeatedly and with emphasis it was brought home to me on my recent visit to South America that other nations are intently watching the course of the United States. They hope that we as a nation and as individuals will think and act creatively and inspiringly if the future of our own and other nations is to be safeguarded.

As a first test of our attitude toward the post-war world, I think that the action your committee and the Senate is about to take is heavy with significance and opportunity.

Sincerely yours,

ERIC A. JOHNSTON, *President.*

The CHAIRMAN. The Senators present are pretty well advised about the situation in the Senate. We are very anxious to dispose of this matter this afternoon, if we can, in executive session. We will recess until 3:30 this afternoon, when the committee will meet in executive session.

(Whereupon, at 11:50 a. m., the committee adjourned.)

## LETTERS AND BRIEFS FILED FOR THE RECORD

MASSACHUSETTS STATE FEDERATION OF LABOR,  
*Boston, Mass., May 17, 1943.*

HON. DAVID I. WALSH,  
*Member, United States Senate,  
 Senate Office Building, Washington, D. C.*

DEAR SENATOR WALSH: We would like to draw to your attention the position of the Massachusetts State Federation of Labor with reference to the reciprocal trade pact, as proposed by Secretary of State Hull, which at present is before the Senate Finance Committee. At the annual convention of this organization held in August 1939, the Massachusetts State Federation of Labor went on record as opposed to the reciprocal trade pact as being detrimental to the best interests of the workers of Massachusetts.

Now we find that this matter is before the Senate Finance Committee and informed that no public hearings will be permitted. We respectfully request your assistance in having the hearings on this very important subject made open to the public and interested parties, so that the many parties in interest may state their interest to the committee.

We are particularly concerned with the situation in the watch industry in Massachusetts and find that in 1942 there were 5,000,000 watches imported into the United States from Switzerland and from figures available to us, there were less than 1,400,000 watches produced in the United States. The watch industry in the United States at present is engaged 100 percent in war production and because of the existing reciprocal trade pact we have been informed that watch importers are reaping a harvest at the expense of the workers in the American watch industry. We are firmly convinced that a further extension of the reciprocal trade pact will work a hardship upon the workers who depend upon the watch industry for their livelihood because we are advised that the watches that are imported are imported at a lower production cost than those manufactured in this country.

We urge that you lend us your assistance in securing a public hearing on this matter, so that the watch workers in the Commonwealth of Massachusetts can register their opposition.

Respectfully yours,

THOMAS E. WILKINSON,  
*Acting Secretary-Treasurer.*

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NATIONAL ASSOCIATION OF WOOL MANUFACTURERS,  
*New York City, May 18, 1943.*

HON. DAVID I. WALSH,  
*United States Senate,  
 Senate Office Building, Washington, D. C.*

DEAR SENATOR WALSH, I am advised that there will be no hearings by the Committee on Finance concerning the renewal of the Reciprocal Trade Agreements Act. The committee has of course heard Mr. Hull despite the fact that his ideas have previously been spread upon the record many times both by him and by members of the extensively staffed speakers bureau of the State Department. How can Congress reach a sound conclusion if equal opportunity is not afforded to present the opposing point of view?

Mr. Hull's achievements in the realm of international political relations are substantial. He has treated smaller nations as equals, he has shown tact, sympathetic understanding and patience. I yield to no one in admiration for his achievements in this field. Unfortunately, however, Mr. Hull has no such record in the field of commerce. In fact Mr. Hull's many pronouncements on the subject of international trade clearly indicate that he does not understand the basic economic factors which in the long run must control our trade policy.

I sincerely trust that you will read the enclosed brief which I prepared for and had hoped to present to your committee. In it I endeavor to point out the reasons why the trade agreements program should be abandoned. It can be abandoned at the present time without damage of any kind to any existing trade interest.

Sincerely yours,

ARTHUR BESSE.

**BRIEF IN OPPOSITION TO RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS ACT PREPARED FOR PRESENTATION TO THE SENATE FINANCE COMMITTEE BY ARTHUR BESSE, PRESIDENT, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS, MAY 1943**

The State Department asks renewal of the Trade Agreements Act on two grounds, alleging first, that it is an instrument of peace; the program is described also by Mr. Welles as "economic nonaggression"; and, second, that it is an economic instrument promoting trade between this country and other nations.

The two appear somewhat inconsistent.

The arguments presented do not justify renewal on either ground.

**I. THE TRADE TREATIES ARE OF LITTLE OR NO VALUE AS A MEANS OF PROMOTING PEACE**

In 1937 and in 1940 the trade agreements were hailed as contributing to world peace—an argument not stressed when the act was first passed in 1934. The various extensions of the act did not preserve peace, and for obvious reasons the slogan, World Peace through World Trade, has been dropped. No connection whatever has been shown between peace and the trade agreements, but none the less we are told by the State Department that the action which Congress takes on the request for a renewal of the Trade Agreements Act "will be regarded by peoples throughout the world as an acid test of our future intentions respecting the peace."

Why an acid test? Are foreign nations to believe we are not interested in post-war rehabilitation of Europe merely because Congress retains control of the tariff and refuses to continue a delegation of authority to Mr. Hull? Is post-war recovery dependent upon the degree of power which the executive branch of our Government is able to capture from the legislative branch? On the contrary, it should be obvious that foreign nations will feel less secure in dealing with our State Department if the Department is exercising delegated powers in a manner of which Congress would not then currently approve. This is exactly the situation which will exist if the Trade Agreements Act is renewed. Nothing will do more to confuse post-war international relationships than the knowledge that our executive departments are pursuing policies at variance with the desires of the people and the will of Congress. Mr. Hull is doing the cause of peace a disservice by insisting that this delegation of power must be renewed at the present time as an evidence of our good faith and by proclaiming that the only possibility of post-war reconstruction lies in the progressive reduction of tariff rates through international horse trading under the aegis of the State Department. Either how or at the end of the war this system of bartering tariff rates will have to be abandoned. Mr. Hull, by insisting that such action will be a calamity, is laying the basis for a certain amount of future international misunderstanding.

*What are the requisites for a sound post-war trade policy for the United States?*

The primary requisites for a sound post-war trade policy are these:

1. Our policy must be consistent.
2. We must be in a position to determine ourselves the type of trade in which we can most suitably engage.
3. We must be helpful to other countries but at the same time protect our own economy.

We cannot be consistent, nor can we control the type of our trade, if our policies and tariff rates are regulated by trade treaties which bind us to foreign nations. We can today cancel all of these trade agreements without doing violence to any existing international trade or injury to any commercial interest. Only by such cancellation can we recapture our freedom of action and the ability to formulate and implement a realistic post-war tariff policy.

It is not a question of whether we do or do not participate in international trade. For years the foreign trade of the United States has exceeded that of any other nation by a very large margin. The question concerns the type of our trade and the method of determining the character that trade is to assume. We must of necessity start with our own economic set-up. Our foreign trade should be such as to complement rather than compete with our domestic economy. We must recognize that there are certain things which we do not need to import and realize too that there are certain of our products which the world does not want at our price. We must appreciate that foreign trade is a means to an end, not an end in itself. A simple example will illustrate my meaning.

If a small New England farmer takes eggs to the general store to exchange for something else, he does not want to take potatoes since he already has a supply in his cellar and more growing in the garden; he wants something which he himself does not produce. In like manner we cannot import products of which we already have a sufficiency, nor can we increase the export of our own surplus products unless some other nation can send us in return something we need and have not got.

*Present necessary steps.*

The steps necessary to prepare for a realistic tariff policy are these:

1. Refuse to renew the reciprocal trade agreements amendment.
2. Cancel existing reciprocal trade agreements.
3. Revise and amplify the so-called flexible provisions of the Tariff Act (sec. 336) in order to provide for voluntary adjustments of rates to conform to a national policy.

Such a program would inspire confidence and respect on the part of other nations. It would indicate that this country intended to formulate its own tariff policy. It would indicate also that we do not now presume to guess what post-war tariff rates should be, but that if it appears wise to alter rates after the war we will of our own volition adjust them either upward or downward as we believe best without making our tariff a football for international horse traders.

*Present reduced rates can remain undisturbed.*

In canceling the trade treaties already negotiated under the Trade Agreements Act it would seem to make little difference whether individual rates were automatically returned to the statutory rates established by the Tariff Act of 1930 or whether for the moment we retained the rates provided by the several agreements now outstanding. During the war the question of rates is academic and no one is wise enough to foresee what duties should be promulgated for the trade of the post-war period. The important thing is to provide that the rates may be altered in either direction as need arises. If real flexibility of rates is provided for and if such flexibility can be exercised at our discretion rather than only upon the sufferance of other countries with whom we have agreements, there can be no reasonable objection to allowing the present rates to stand until such time as we are in a position to know what new rates might be more appropriate. This would remove any ground for criticism from foreign countries to the effect that we were committing ourselves to higher rates but would serve notice that we intended to keep control of our tariff structure in our own hands.

I will not go into detail in reference to the specific changes which should be made in the so-called flexible provisions of the tariff act other than to say that I believe consideration should be given to providing for tariff revisions on broader grounds than the single one of relative costs of production which is now established.

*Concessions we have received under these treaties unimportant.*

Some people may ask, "If we cancel these treaties, what of the concessions which other countries have agreed to give to us?"<sup>4</sup> Actually that is a matter of little or no importance. Those who advocate a continuance of the trade agreements policy have answered that query themselves, although perhaps they do not fully realize it. They have pointed out that the factor which limits our export trade is the amount of American dollars or American credits which foreign nations have to spend for our products. This is to all intents and purposes the only limitation on our export trade. So long as other countries have American credits they will buy our goods and will not erect trade barriers to keep them out. When they do not have such credits they must and will find ways to exclude our goods regardless of trade agreements. This has been done over a period of years and will continue to be done. When foreign countries do not have American credits they are obliged to exclude our goods by one means or another unless we are willing to institute unsound financial measures and extend loans which postpone but do not settle the problem.

The spending power of foreign nations, rather than their tariff rates, is what actually determines the volume of our export trade. Once it is understood that this spending power is the limiting factor the problem appears much less complicated. It then becomes clear that we can formulate a tariff policy without having to negotiate treaties with other countries. I do not mean to suggest that our policy need be a selfish one, that we become isolationists or that we restrict the importation of any needed items produced by foreign nations. We should, however, be willing to do that which ought to be done without having to bargain with other countries. The United States will probably continue international philanthropy on a large scale, but we should be free to contribute to the

degree and in the manner which we feel is best calculated to achieve the end in view rather than in a manner determined by the foreign traders of other countries.

## II. TRADE AGREEMENTS USELESS AS AN ECONOMIC STIMULANT

In spite of all the speeches on the subject, there is no evidence that the trade agreements have ever provided any stimulation to domestic business. A reduction in certain tariffs can cause changes in the type or quantity of goods we make for our own use and the type or quantity of products which we import. However, by and of itself, a reduction in tariff rates, and the resulting change in the type of our own production does not increase the total of domestic business nor add to domestic prosperity.

I do not dispute the thesis that if we want greater exports we must increase our imports. But the increased imports which result from lowered customs duties do not consist of new items; they are composed of items which replace American-made products equal in volume to the increased exports. This does not produce any net gain. We can, by more extensive international trading, increase the volume of both imports and exports, but that does not affect the total volume of domestic consumption. Our production is the sum of what we produce for ourselves plus what we produce to send abroad in return for the goods which foreign countries send to us. The total of our production for both purposes is determined by the total of what we can consume, not by the percentage of our consumption which is represented by foreign items.

Most supporters of Mr. Hull's foreign trade policies assume that if the volume of foreign trade increases we must have gained something. This does not follow. Other things being equal, all that happens when we increase exports is that we make fewer things for our own consumption and more things for export. The inability to appreciate this simple fact is responsible for much of the confusion of thought which is typical of discussions of foreign trade.

The State Department is fond of quoting figures on increased foreign trade in both directions as showing the effects of trade agreements with specific countries. There is little or nothing to prove that the increases noted were due to the trade treaties and nothing whatever to show that either this country or any of the countries with which we had agreements benefited by the resulting change in the character of its foreign trade. An increase in our foreign trade would be an index of increased production in the United States only if the imports represented new products which did not displace products formerly made by domestic manufacturers. This is not the case with the items covered by trade agreements since these agreements concern themselves primarily with articles on the dutiable list which are already being produced in this country.

The effect of these trade agreements is to change the emphasis on specific products rather than to provide any stimulus for American producers in the aggregate.

### *Agreements do not work as expected.*

Not only are the possible changes in our foreign trade of doubtful benefit to us or to other countries, but the agreements do not work as the negotiators in the State Department expect. Since concessions are generalized to all nations on the most-favored-nation list, we are misleading ourselves and other nations as well if we negotiate with anyone except the nation with the lowest cost of production, which in most cases means the nation with the lowest wage scale. This is the nation which actually obtains the benefit, whatever it may be, rather than the nation with which we may actually conclude a treaty.

### *Danger in meddling with established tariff rates.*

Aside from the question of any net gain which might or might not result from stimulating the export of a certain product at the expense of the domestic output of some other item, it is dangerous in the extreme to tinker with tariff rates. This tinkering is even more serious when it is based upon "deals" with foreign representatives rather than upon changes in economic conditions in this country which might suggest some change that should be made to conform to a well thought out and established tariff policy.

Our tariff rates are designed to protect domestic manufacturers against competition from foreign producers who have substantially lower raw material or manufacturing costs or both. This protection has been accorded because it has been felt that certain industries are important to us from either a military or economic point of view. We should not lightly tamper with these rates unless we have decided that it no longer matters whether we continue to produce those

particular items or not. The course of this war has demonstrated that we should be as nearly independent of foreign sources of supply as possible. Accordingly, we have no choice but to retain adequate protection for these vital industries, whatever "adequate" protection means under conditions as they may exist from time to time.

A boy with 100 pennies may spend or give away 50 of them and still have 50 left. Mr. Hull with a 50 percent tariff rate, which for purposes of illustration we may assume in a particular case to be one which provides adequate protection, is not in the same position. If he gives away 25 percent, or half of the protection, there is nothing left. The adequacy of a tariff may be said to be analogous to the adequacy of an attacking army. If 100,000 men are needed to take a certain enemy position, 50,000 men are not going to take half of the objective; they will be utterly defeated and forced to fall back.

We cannot continue to protect our vital industries if the State Department is allowed to trade off existing tariff rates to other countries.

#### *Progressive effects of rate reduction.*

Mr. Hull's thesis is that a reduction in our rates is desirable because such a reduction will increase imports and thereby make increased exports possible, a process which, as I have already pointed out, does not of itself result in any net gain. The essence of Mr. Hull's theory is that the reduction in our tariff must be such as will effectively destroy the protection afforded domestic manufacturers and produce competition which they are unable to meet. Reflection will show that this is so, since, if domestic manufacturers are successful in meeting the foreign competition, there are no increases in imports and no resulting increases in exports.

Let me illustrate what happens when our tariff rates are reduced under these trade treaties.

Suppose we have a tariff rate which is sufficient to provide protection and which results in the exclusion of most forms of a competitive article other than novelties and special variations. The tariff rate is reduced by a trade agreement so that foreign manufacturers in certain countries can offer goods in the American market at 10 percent less than the former price. The domestic manufacturer immediately seeks to meet this new competition. He takes a decreased profit, he reduces wages, perhaps he is able to force the supplier of his raw material to take a lower price on pain of losing a part of his market. For a time the American manufacturer, in one way or another, successfully meets the intensified competition. Result—no increased imports. Up to this point Mr. Hull's theory has not worked. So the tariff rate is reduced still further. The foreign competitors then offer goods in this market at a still lower price. The domestic manufacturer has to cut even further. Management, labor, and the raw-material suppliers all contribute until the process can continue no longer. When this point has been passed imports do increase substantially. But by that time how much of the domestic industry do we have left? Our economic army, formerly "adequate," can no longer stand against its adversary. We suffer a defeat and are obliged to withdraw from the market. This is the inevitable result of the State Department's conviction that exports are an end in themselves and should somehow be financed even though it involves the ruin of certain domestic industries. Mr. Hull, in pursuing his theory of foreign trade is, in effect, expressing the hope that members of a domestic industry which he has doomed will fail to meet the intensified competition from abroad; otherwise he cannot achieve his objective, namely, an increase of imports. When you understand what this theory involves you can appreciate the feeling of American manufacturers in protected industries when faced with a "crippling amendment" of existing tariff rates.

#### *Decision as to what industries are essential.*

Before any further changes in tariff rates are contemplated, we should squarely face the question as to what industries we are to continue to regard as "essential." Mr. Wallace goes so far as to recommend that the manufacture of synthetic rubber should be abandoned after the war. In view of the experience of this country over the past year, few of us would agree with him. Most of us believe that we should continue also to make our own chemicals, our own steel, our own ships. There are many other items for which it would seem sheer folly to depend upon overseas producers.

Together with many others I regard the textile industry as essential. The German general staff will testify to the importance of wool textiles in war and officials of our own Government have stated many times that we could not have equipped an American Army or Navy if we had not had an adequate textile industry.

The American wool textile industry has supplied every requirement of our armed forces, and is now turning out certain fabrics for British and Russian troops. We have taken care of necessary civilian needs. We are now being asked to make civilian fabrics for Canada, which, prior to the war, relied primarily upon England. It is fortunate indeed that this country did not become dependent upon English or continental sources for our apparel fabrics. However, I am not pleading for the wool textile industry or for any other individual industry; I am pleading that Congress not allow any industry to be sacrificed on the altar of Mr. Hull's foreign trade policy until it has been definitely determined that it is a matter of indifference to this country whether a particular industry is retained or allowed to disintegrate.

We must review our situation when the post-war period comes and determine which industries should then be considered essential for our national security. That decision should precede any alteration whatever in our tariff structure. Congress, not the State Department, should make those decisions. The State Department has shown that it is prone to consider existing tariff rates as representing "ammunition" for bargaining with other countries instead of evaluating protected industries on the basis of their essentiality in terms of national policy.

#### *Conclusion.*

It is time for some realistic thinking upon the subject of tariff and foreign trade. We should refuse longer to listen to emotional appeals which neglect the economic factors involved. The United States of America is able to help in the prosecution of the war and will be able to help in the rebuilding of the post-war world because it is powerful and because it is relatively independent and self-supporting. Our greatest contribution to world recovery can be made only if we keep our own country powerful and retain our ability to supply most of our own needs.

It seems utterly stubborn and foolhardy to insist that we continue these trade agreements at a time like the present. The agreements contribute neither to economic stability nor to the maintenance of peace. On the other hand the trade agreements policy commits us by solemn treaties to other nations, makes our tariff rates a football of international politics and will prevent us from developing the constructive and realistic new tariff policy which post-war conditions undoubtedly will require. Whether one believes with Mr. Wallace that the more we buy abroad, the better off we will be, or inclines to the opposite view that we should reduce our dependence upon foreign sources of supply, none is wise enough to determine today what post-war tariff rates will implement the particular trade policy he or she may individually favor. We should make no new commitments; we should free our hands by canceling the existing trade treaties; we should keep an open mind now as to what policy we may want to adopt in the post-war world and as to the type of measures which will best effectuate that policy. A renewal of the trade agreements amendment to the Tariff Act is inconsistent with these aims and will prevent their realization.



# EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

SATURDAY, MAY 22, 1943

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The following letters, briefs, and statements, were submitted to the Committee on Finance, United States Senate, after the public hearings on House Joint Resolution 111 were concluded:

BRIEF SUBMITTED TO THE SENATE FINANCE COMMITTEE ON THE QUESTION OF EXTENDING RECIPROCAL TRADE PACTS, BY WALTER W. CENERAZZO, PRESIDENT AND BUSINESS AGENT FOR THE WALTHAM WATCH WORKERS UNION, NO. 72, OF THE INTERNATIONAL JEWELRY WORKERS UNION, AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR

This brief is presented on behalf of 2,300 American workmen who are now working 100 percent on the production of vital time mechanisms for the defense of the United States, and our allies. In behalf of 2,300 American workers who have had 293 of their midst, or some 12 percent of our number left to serve in the armed forces of our country, 293 men and women who are serving our country, seeking to destroy Hitler and the other Axis enemies of the American people. Two thousand three hundred men and women, members of Watch Workers Union, No. 72, of the International Jewelry Workers Union, affiliated with the American Federation of Labor, respectfully protest to the elected representatives of the United States, members of the Senate Finance Committee, the continuation of reciprocal trade agreements which make it possible for the American public to furnish the finances, in part at least, for Hitler to make war on our people.

The Congressional Record, May 7, 1943, page A-2399, reveals that the Director of Economic Warfare, Hon. Milo Perkins, based on what he stated were reliable reports, states "that the brass and steel used in Swiss watches are derived from current imports from Germany" (into Switzerland).

The importation of Swiss watches and watch movements into American markets is made possible only by the Axis permitting Swiss watches and watch movements to pass through its lines, which, since the inception of the present World War, have surrounded Switzerland.

This most unusual condition and sequence of events is known to and made possible through the acquiescence of State Department officials to these startling facts, who, in their mad desire to promote foreign trade, even though such particular foreign trade deprives many thousands of American workers of their job opportunities, entered into an alleged reciprocal trade treaty with Switzerland.

\$50,000,000 FOR HITLER

It is our sincere belief, based on what we consider reliable reports, that certain influential American distributors of Swiss watches and watch movements have transferred to Hitler, since January 1940, some fifty millions of American dollars to help Hitler finance his war against the United States and our allies. This money was sent to pay for products of Swiss watches which could be exported from Switzerland only through Hitler's military lines.

This outrageous condition, so far as we know, is only justified by our Government officials because of our entry into an alleged reciprocal trade treaty with Switzerland.

## NO JOBS AVAILABLE FOR OUR RETURNING HEROES

Our workers, Americans all, are dependent for our livelihood on the employment opportunities which exist through the operation of those few American plants engaged in the manufacture of watches.

Two hundred and ninety-three men, formerly employed in only one of the three existing American watch-manufacturing plants (a comparable number have also left from the other two watchmaking plants) now in the armed forces of their country, serving in Africa, in the South Pacific, in Iceland, and elsewhere, were assured when they answered their country's call, that their jobs awaited them on their return after having contributed, if they lived, to our winning of the War.

When and after they return, unless the pending reciprocal-trade-treaty legislation is substantially and properly amended, these soldiers, sailors, and marines—heroes all—will find their former jobs have been transferred to watch workers in Switzerland.

## LEGISLATIVE PROTECTION ASKED FOR

Our workers, realizing fully that not only their wage and working conditions (the most advanced in the world so far as exist in the manufacturing of watches) but also their opportunity for a livelihood is at stake, appeal to the members of the United States Senate for amendments to the pending legislation which will protect their job opportunities.

We ask that the pending reciprocal-trade-treaty legislation be amended as follows:

"(a) That no tariff rate reductions be authorized or continued in effect which permits the entry into American markets of competitive products of foreign workers at less than American costs of production.

"(b) That in view of the chaotic and unsettled world conditions, which we believe will exist at the cessation of hostilities, all trade treaties should be terminated at least 6 months following the cessation of hostilities.

"(c) To eliminate the trend toward totalitarianism in our own country, that the elected Representatives of the people, namely, those constituting the United States Senate and the United States House of Representatives, attach to the pending reciprocal trade-treaty legislation language which will permit of the elected Representatives of the American people resuming the responsibilities which the Constitution invests in them.

"(d) That all trade treaties or the extension of any existing trade treaty be submitted to and voted upon by the Congress of the United States within 90 days following its completion, and, such trade treaty shall not become effective unless approved by the Congress of the United States."

## CONGRESS SHOULD NOT BE "RUBBER STAMPS" FOR BUREAUCRATS

The American workers are not at all impressed with the false alarms sent forth through the press and the radio by Washington bureaucrats who would have us believe that any change in the present law would be an affront to our allies.

We believe the elected Representatives of the American people can and should assume and carry out the responsibilities they were elected to carry out, one of which responsibilities is to live up to the requirements of the Constitution of the United States.

Surely, it is not too much to ask that our means of livelihood be protected?

## FORTY-TWO THOUSAND AMERICAN JOBS TRANSFERRED TO SWITZERLAND

History repeats itself. Within 6 months after the cessation of hostilities, with all Government orders for the making of timing instruments on which we are now employed canceled, with American markets stocked up with products of watch workers of Switzerland, and, with many millions of American workers and returned heroes looking for work, the idle promises of the Washington bureaucrats will be of but little value.

Prior to the outbreak of the present global war there were only 3 American watch factories in operation of the 60 in operation some years ago. Most of the others had been scrapped simply because the products of these American factories could not compete in the American markets with the products of the low-wage-paid watch workers of Switzerland.

The following is taken from a publication: Digests of Trade Data, "Concessions Granted by the United States in the Trade Agreement With Switzerland," issued by the United States Tariff Commission.

## "SWISS PRODUCTION AND TRADE

"Switzerland is the world's largest producer of jeweled watch movements and maintains an extensive world trade. During the past two centuries, Switzerland has developed a specialized skill in the manufacture of jeweled watch movements, and for a long time this industry has catered to a world market. Although exports of machinery and of textiles from Switzerland exceed exports of watch movements, the watch industry, including the various supplying trades, employs more people than either the textile or machinery industries.

"In 1929 there were between 1,200 and 1,400 enterprises in the watch industry, employing 63,675 persons. For the season 1932-33 this number was estimated at 53,700. (These figures include those engaged in the manufacture of watch parts in small household enterprises and probably employees engaged in the production of watch cases, watch jewels, etc.) It was estimated that in 1929 the number of persons in Switzerland dependent upon the watch industry for their support was 400,000, or one-tenth of Switzerland's total population. Of the 1,200 to 1,400 enterprises in the watch industry in 1929, it was estimated that some 500 were assembly firms, 70 were manufacturing firms producing complete watches, while some 600 to 800 small enterprises occupied themselves with the production of individual parts.

In wartimes our industry thrives because Uncle Sam needs our products and demands unlimited production for the use of our armed forces. Our workers are continually working in excess of regular hours at the request of the Army and Navy. During these wartimes, World War I and now World War II, the importers and distributors of Swiss watches make heavy inroads into the business of the American watch companies. The United States Government says to the American watch workers: "You cannot produce for civilian use as we need your output for American defense." We agree the United States Government is correct in so doing, but, on the other hand, the Swiss watch industry is given free reign to ship into the United States an unlimited amount of watches, at total landed costs which are less than our cost of production.

The State Department officials, prior to their entry into the alleged trade treaty with Switzerland which, in 1942, resulted in the transferring of the job opportunities of some 42,000 American watch workers to workers in Switzerland, were fully aware of the sweatshop, child labor, and other substandard labor conditions which exist among the watch workers of Switzerland.

In addition, these same State Department officials were fully aware of the existence in Switzerland, especially as it pertains to the manufacture and export of watches and watch movements, of a watch "trust" or watch "cartel" which was controlled in turn and subsidized by the State itself.

*Organization of the Swiss watch industry.*—The Swiss watch industry is very complex, consisting of manufacturers of complete movements, manufacturers of individual parts, assemblers of complete movements from parts made by other manufacturers, manufacturers of watch cases, etc. Before the war these various manufacturers were organized along functional and regional lines, most of these organizations being grouped loosely under the semiofficial Swiss Watch Chamber of Commerce. During the years immediately following the war, currency depreciation in many other countries and the erection of tariff barriers against imports of finished movements in many of Switzerland's best export markets stimulated the migration of the Swiss industry to foreign countries. These barriers were raised chiefly against the completed movements, while efforts were made to stimulate the importation of parts for assembly. At the same time Swiss watch manufacturers were induced to come to these various countries to establish local watch industries.

"These developments proceeded at a rate such as to arouse considerable fear in the minds of many Swiss industrialists as to the future of the Swiss watch industry, and led to greater organization of the Swiss industry to prevent the expansion of this movement and to control various practices which were lowering the prestige of the Swiss watch abroad. As a result, most of the manufacturers in the various lines of the Swiss watch and clock industry now are members of trade associations which are grouped together under three major industrial organizations, and these three groups in turn are united for purposes of common policy by a series of working agreements or conventions. The three organizations comprise the makers of complete watches (both manufacturers and assemblers), the producers of incomplete movements, and the manufacturers of parts and accessories, respectively. Through the organizations, with assistance from interested banks, some measure of success was achieved in controlling the exportation

of unfinished movements and parts for assembly abroad and in raising the average quality of the Swiss watches exported. However, their efforts were to a large degree frustrated by the noncooperation of a number of independent firms.

"During 1931 there was considerable agitation in Switzerland for governmental intervention in support of the organized Swiss industry in its efforts to control the independents, who persisted in practices which tended to threaten the industry. Although it was not until 1934 that the Government actually accorded the degree of intervention desired, it lent its support and credit in 1931 to the organization of the "Société Générale de l'horlogerie Suisse, S. A.," generally known as the superholding company. The object of this company was to acquire majority control of the old organization of the producers of incomplete movements and buy up control of various independent plants making either essential parts or incomplete movements which in 1931 were not members of the organized Swiss watch industry. This company was capitalized at 50,000,000 francs. Of this amount 20,000,000 were subscribed by the banks in the watchmaking communities and 20,000,000 by the industrialists and the various cooperating organizations. Six millions of francs were subscribed by the Government by the purchase of 6,000 shares in the new organization, while 7,500,000 were lent the company by the Government free of interest, redeemable by annual installments after 1934. This superholding company achieved a greater measure of control over the complex Swiss watch industry than had been attained previously, but it will still be unable to control a small number of factories. On March 12, 1934, the Government finally took direct and positive action, issuing a decree (a) prohibiting the opening of new enterprises in the watchmaking industry, or enlargement, transformation, or transfer of existing enterprises without the authorization of the department of public economy, and (b) forbidding the exportation of watch parts without an export permit issued by the Swiss Watch Chamber. In 1933 export duties had been enacted to discourage the exportation of watchmaking machinery.

"In 1934 there was organized an association of watch producers engaged in exporting to the United States. There is little information regarding the organization and functions of this association. Its objects are reported to be the elimination of some of the more undesirable features of competition among Swiss concerns for United States business.

"Further measures of control in Switzerland over the exportation of watches and watch movements are provided in the 'declaration' of the Government of Switzerland which forms a part of the United States-Switzerland Trade Agreement. These control measures are being taken 'with a view to cooperating with the Government of the United States of America in its efforts to suppress the smuggling of watches and watch movements.'

"*Swiss exports.*—Switzerland does not publish statistics regarding production of watches and watch movements. However, inasmuch as about 95 percent of Swiss production is exported, Swiss exports of these products give a very good indication of production. It will be noted that total production of cased watches and finished movements ranged from 16,000,000 to 20,000,000 movements in the period 1925-30, but declined to approximately 8,000,000 in 1932 and recovered to more than 12,000,000 in 1934.

Year	Number of watches and watch movements imported <sup>1</sup>	American watch workers man-hours transferred to workers in foreign countries, principally Switzerland	Number of workers years employment transferred to workers in foreign countries	Foreign declared value of watches imported
1934.....	920,303	11,044,716	6,903	\$2,834,092
1935.....	1,201,896	14,422,752	9,014	3,608,645
1936.....	2,228,600	20,743,272	16,715	5,877,676
1937.....	3,127,274	37,527,288	23,466	8,183,117
1938.....	2,386,226	28,634,712	17,760	6,562,370
1939.....	2,919,147	33,029,704	20,643	8,057,789
1940.....	3,536,982	42,443,784	26,526	10,220,772
1941.....	(2)	52,900,000	33,000	(2)
1942.....	(2)	67,500,000	42,000	(2)

<sup>1</sup> Since 1934, according to reliable sources, there have been imported to the United States the above watches and watch movements, and as many as 42,000 Americans' jobs transferred to Switzerland in 1 year alone.

<sup>2</sup> Due to Government regulation the figures on watches and watch movements imported in the years 1941 and 1942 cannot be made public. This regulation is governed by Executive Order No. 9103, issued March 18, 1942.

The American watch workers produce one watch in approximately 12 hours. From the years 1938 to 1942, inclusive, the combined output of the three American watch factories was an average of 1,405,000 watches per year, and they had an average of 6,800 employees per year. Personally, I do not know but I doubt if our total added exports, secured through our entry into the trade treaty with Switzerland, will equal this demonstrated loss of American man-hours of employment, in this one industry alone.

#### HITLER—SWISS WATCHES ALONE AVAILABLE

Just consider this outstanding fact: In 1942 there were imported into the United States over 5,000,000 watches and watch movements. If American labor had produced these watches there would have been 42,000 more persons employed for 1,600 hours per year, and we would have had that many more available persons working on war materials for which the United Nations are sorely pressed.

Four times more watches were imported than were produced in the United States. The consumption or consumer demand for these watches is not that great. The answer is the Swiss watch importer, knowing that America's factories would be placed on war work, has built up a reserve stock here to sell to the American consumer during and after the present war.

The American jeweler who is trying to stay in business has to buy watches from whom he can, so he stocks up with foreign-made merchandise which costs him just as much as a fine American-made watch.

You can't blame him for trying to stay in business, but after the war we have the post-war problem of what to do with the increased personnel who have been trained for watchmaking during the war period. There will be no backlog of orders; the consumer demand will have been satisfied. During the war when people have an excess purchasing power they will buy the things they need. They can't buy automobiles; they can't buy many items; but they can buy Swiss watches. Those industries are protected for the post-war period, but how about the people that I represent? How about the people who work for the other watch companies? They have done their bit for their country. Waltham employees were one of the first to have attained 100 percent participation in the pay-roll-savings plan for the purchase of War bonds. Two hundred and ninety-three men out of less than one thousand from the Waltham Watch Workers Union are in the armed forces. They are coming back, after having served their country to—what? To a job? Yes; to a laid-off job.

#### GULLIBLE AMERICAN PUBLIC

In the meantime Switzerland, surrounded by Axis, on the one side by Italy, on another side by Vichy-France, on the other by Germany, is able to export into the United States, under a trade treaty with our enemy, watches and watch movements. In exchange for these watches and watch movements, Switzerland is given millions of American dollars. Hitler receives his share of these dollars. The consuming American public is thus helping finance Hitler's war against us through the purchase of these watches which were imported into the United States during 1942. Many of these watches are cased in the United States. They are sold under trade names, nationally advertised names. The American public buys watches called "Miss America," "American Maid," "Miss Liberty," and "Croix de Guerre of American Achievement." Swiss watches being palmed off as American-made.

These watches are assembled here of products of Swiss workers. Where does Switzerland get the raw materials for these watches during war time? How are they so safely escorted through Axis territory to reach America, we would like to know? This question of Swiss competition has been gone into very thoroughly in the past by far more able men than I, men who made a study of this because their financial interests were at stake.

This committee recommended legislation to prevent the smuggling of watches and watch movements, mainly from Switzerland. The Congress enacted this legislation into law. This is known as the Walsh-McCormack law.

In 1934, at the hearings, briefs were filed, attorneys were hired to present to the Committee for Reciprocity Information facts which were vital to our industry. These facts were ignored and treaties negotiated and signed, notwithstanding the warning which was given at that time by Mr. T. Albert Potter, president of

the Elgin National Watch Co. I quote Mr. Potter from testimony given by him on December 17, 1934:

"Remember, these fine craftsmen in Europe are not only makers of watches but many of them, even today, as adjuncts to watch factories, are actively engaged in the making of parts for foreign munitions factories."

After 4 years of reciprocal trade treaties, and, assumedly after careful consideration, the executive council of the American Federation of Labor adopted the following on reciprocal trade treaties:

"Whereas the provisions of reciprocal trade treaties negotiated by the State Department with foreign nations affect very vitally both the economic conditions of American workers and unemployment and there are many organizations, representing thousands of workers, affiliated with the American Federation of Labor which are seriously affected by these trade treaties and for that reason are deeply interested in their provisions; and

"Whereas the economic and industrial interests of these workers demand that the American Federation of Labor exercise all efforts possible to prevent the importation of goods from foreign countries under the provisions of reciprocal trade treaties, where lower wages, longer hours, and lower standards prevail than exist in competing industries within the United States: Therefore be it

*Resolved*, That the executive council of the American Federation of Labor expresses its opposition to reciprocal trade treaties which discriminate against American workers. We are opposed to reciprocal trade treaties' provisions which provide for importation of goods and merchandise which because of low labor costs abroad are sold at a lower price than the same goods and merchandise produced by workers in the United States, where wages and conditions of labor are established on a higher standard than those which prevail abroad; be it further

*Resolved*, That a committee representing the American Federation of Labor be accorded the privilege of presenting labor's point of view relating to the provisions of reciprocal trade agreements affecting labor before said agreements are negotiated and ratified."

You will note that the executive council expressed opposition to reciprocal-trade treaties which discriminate against American workers. Under the terms of opposition cited in the resolution, unanimously adopted by the executive council of the American Federation of Labor on reciprocal trade treaties, such reciprocal trade treaties are seemingly impossible of accomplishment.

Had the appeal of the executive council of the American Federation of Labor been heeded and the jobs of American workers not transferred to workers in foreign countries through our entry into alleged reciprocal trade treaties, there is reason to believe that they would not have considered it necessary to make the following demands on the resolutions committees of the major political parties in 1940.

#### "PROTECTION OF WAGE AND WORKING STANDARDS

"To protect and safeguard the employment opportunities of America's wage earnings against unfair competition of the products of workers of low wage and depressed standards and conditions of employment of foreign countries, and, with which we are bound to be faced at the end of the present European and Asiatic wars, and, in order to hold secure the advanced industrial relations and employment standards secured by America's workers through legislative enactments and collective agreements against competition from products of workers in countries of lower standards, it is essential that adequate and proper legislation be had to obtain these ends. We urge the adoption of this policy and procedure."

The position of our organization is based upon this platform—that we believe in "Live and let live." Any country with which we have a trade treaty should be able to ship their products into this country on equal terms. No more, no less, do we ask. If the cost of a Swiss watch landed in this country is the same as an American-made watch, our problem is solved. We know our product is superior. We know the American public will choose correctly.

This is not a political problem. This is an economic problem which will seriously face 3 communities after this war—Lancaster, Pa., Elgin, Ill. and Waltham, Mass. Hamilton today has 2,100 employees, Elgin over 5,000, Waltham 2,600. Where do they go from here? Only the Congress of the United States can determine that. Trade treaties should have either congressional approval or Senate ratification, then the interests of an industry small in size but vital in nature, such as ours, can be protected.

Labor sought restrictive immigration legislation to protect American jobs and the American way of life. American labor is not antisocial. We sought and we still insist on restrictive immigration laws to protect our jobs. However, what

protection do we have when, in 1942 alone, the jobs of 42,064 American workers in this one industry alone were transferred to workers in foreign countries?

The position of the American Federation of Labor on immigration is as follows:

#### "IMMIGRATION

"In order to protect the welfare and the standards of living of the American workers, organized labor has favored from the beginning a restricted and controlled national immigration policy. Upheavals brought about by war conditions abroad demand the exercise of unremitting vigilance in the enforcement of these controls. We urge the adoption of a declaration in favor of the continuation of the Nation's restricted immigration policy and the progressive application of these principles as dictated by changing conditions."

Our position on the imports of competitive foreign-made products is the same. We see no advantage in barring the entry of the immigrant, and at the same time permitting entry of the product of the immigrant at total landed costs which are less than American costs of production.

We are here today pleading with you not for an advantage, not for profit, but for job security. Today we hear advocated security from the cradle to the grave. We ask only for the opportunity to work under a profit system. We ask only that this Congress, the chosen Representatives of the American people, keep within their hands the power to approve these trade treaties. We ask that this committee, the chosen Representatives of the people, insist that no article, whether farm commodity, industrial or what have you, when competitive with American-made products commercially available, be allowed to land in this country for one cent less than competitive American-made products, produced in this country.

Is there any good reason why American lives should be endangered, why American savings be invested in War bonds and savings stamps, and at the same time, we permit millions of American dollars, through the sale of Swiss watches, be placed where the mad-dog Hitler and his group can grasp them? Is there any good reason why products of workers in Switzerland should continue to control 50 to 80 percent of the American watch market?

We hear of post-war plans. Why should we, through trade treaties, insure the transfer of our jobs in the production of watches to workers in foreign countries?

Isn't this fair? Isn't it a fair request for American workmen to make of their Government? The answer is obvious. We appreciate the opportunity of presenting our case, a case for the existence of our job opportunities.

There are some 10,000 American workers now employed in the remaining American watch factories producing very, very essential timing instruments for the use of our armed forces. At the cessation of hostilities, we assume we will be producing American-made watches—if—there is a sufficient demand or market for the products of our labor.

But, with the importations of Swiss watches and watch movements increasing yearly, some 100 percent from 1939 to 1942 alone, it is probable that the market for American-made watches will no longer exist, as the low-wage-paid products of the workers of Switzerland, which have been permitted to be exported to the United States through Hitler's military lines, only because much of the proceeds, in the form of American dollars, would be used by Hitler to finance Hitler's war against the United States and our allies.

#### BRIEF PRESENTED BY HARRY H. COOK, PRESIDENT, AMERICAN FLINT GLASS WORKERS' UNION, TOLEDO, OHIO

Mr. CHAIRMAN: The American Flint Glass Workers' Union of North America, an affiliate of the American Federation of Labor, opposes the extension of the reciprocal trade program unless the pending legislation is properly amended to protect our employment in this industry against destructive competition of products of workers in foreign countries landed in our markets at less than our costs of production. We believe that three amendments would accomplish our objective.

One is setting up equality of competition as the yardstick for determining reduction of duties; the second is ratification of the treaties by the Senate; and last, but not least, that all trade treaties terminate not less than 6 months after the cessation of hostilities.

We do not wish for or expect duties on products of the flint-glass industry which would eliminate foreign competition entirely. We have no objection to foreign competition and, in fact, believe it is beneficial if kept within reasonable

limits. These limits we believe to be equality of the selling price of comparable merchandise, and, this in turn should be based upon equalizing the landed cost of imported goods with the American cost of production.

If the products of the low-wage-paid workers of foreign countries are not allowed to undersell us, we have nothing to fear. They will enter our market on an equal footing, and certainly that is all they can reasonably ask, and that is all that we should permit. They could not then break the market, depress wages and cause unemployment. Our producers would enjoy a reasonable margin of profit and an even chance to hold their own in the market.

If, on the other hand, duties in flint glass and glassware articles are further reduced, or, if in some cases the duties are not increased, low-wage countries will be able to enter our market, undersell our producers and depress the whole industry. In order to remain in the market, our manufacturers will be forced to cut prices and even to sell at a loss. If they are to succeed in holding the market they must cut their costs, including wages, and some of the concerns would have to close up and throw their workers out of employment.

We can see no sound principle at the base of such a policy. There is no merit in sacrificing one industry, including the employment offered in its operation, for the sake of increased exports by some other industry, especially those where labor costs represent a small percentage of the value.

We have heard a great deal about the merits and sanctity of the unconditional most-favored-nation clause, whereby all countries with which we have a treaty including this clause, automatically obtain all the benefits we extend to any other country under the reciprocal-trade program. Trade discrimination, in other words, would be resented by countries excluded from the benefits given another country. The United States recognizes the validity of this resentment. In fact, the United States has been the principal supporter of the unconditional clause.

But, in lowering our duties we discriminate against some of our own industries and favor others. We open some to cheap foreign competition so that others may sell more goods abroad. The principle of extending favors equally to all industries within our own country is not practiced. In order to get the benefits of our most-favored treatment for nothing you must be an exporter living in a foreign country. You can then enjoy benefits from our policy of discriminating among industries in this country.

For example, if you were an exporter of flint glassware in Czechoslovakia you would be in a position in normal times to enjoy the American market. Regardless of the comparatively low cost of production enjoyed by you, you would find the American market open to you because it is the present policy in the United States to help the mass production industries export more and more, such as automobiles, farm implements, typewriters, and other business machinery, and to make this possible by lowering duties on other commodities. You, as a Czechoslovakian, might even get a concession without asking for it, since the United States might make a treaty with Sweden (as we did) lowering our duty on flint glass and glassware articles and then extend the lower rate as a windfall to you.

If, on the other hand, you were a flint glassmaker in the United States you would find yourself discriminated against so that two other groups could enjoy a windfall, i. e., the foreign exporter and a favored mass-production industry in the United States.

This is a strange national policy, and yet that is the policy followed, we regret to say, in the administration of the reciprocal trade program. Actually such a policy is unnecessary. It represents the worst of two alternatives. We could enter into reciprocal trade relations with other countries without engaging in domestic discrimination. But, those in charge of administering the law insist in doing it their way and no other. Any attempt to modify present methods is resented and denounced. The attitude is one of hands off, as if the methods developed were sacred. Actually they are undemocratic and high-handed as many who have had experience with them have testified.

If, instead of selecting the sacrificial industries by merely reading general reports about them, and then offering concessions to all who export the products of those industries to us, we first made comparative cost-of-production studies as a basis of action, the discrimination referred to above could be avoided.

If reductions in duty were made only in those cases where the present rates are actually too high, that is, rates that make the price on the foreign goods come to a level above our cost of production, and, if the reduction did not lower the landed cost below our cost of production, no one could reasonably complain. No claim of discrimination could then be substantiated. Foreign goods would not be excluded. They would merely be placed on an equal competitive basis with ours.



The imports of goods on the free list, normally amounting to about 65 percent of our imports, could continue unabated and could be increased as a result of the higher level of purchasing power sustained in this country by prevention of ruinous foreign competition. It is no help to foreign exporters of those goods on our free list to have our other goods driven into depression by low-priced foreign goods that are not on the free list. The foreign exporters compete for our market among themselves no less than our exporters compete in foreign markets.

Trade in nondutiable goods and in goods on which the duty only equalizes competition has as great merits as any other. It leads to just as good international relations as any other; in fact, it would lead to better relations because it would allay resentment and irritation. Contrary to what some seem to believe, foreign trade can be beneficial without having to be a ruinous competition.

We do not advocate a return to the so-called logrolling methods of making and altering tariffs. For that matter, logrolling has not been done away with by the present method of negotiating the treaties. It has merely been transferred and changed in character. We now have logrolling in the sphere of power politics and international doctrines. It makes little difference in the effects, except that the beneficiaries are foreign interests instead of our own.

We advocate taking tariff-adjustment out of both national and international logrolling and placing it on a more scientific basis than either. We think that the Senate should, however, ratify the treaties within a stated period of 60 or 90 days. This would subject the operations to scrutiny by the representatives of the people and would not unduly delay progress. Centralized control is necessary in time of war, but, we should not retain bureaucratic control in the spheres where it is not necessary.

In brief, our position can be stated by saying that we believe in a healthy foreign trade, not in a ruinous foreign competition. And we believe that the only way in which competition can be kept on a healthy basis is by using our tariffs to equalize the costs of production, foreign and domestic. This can be accomplished by making cost studies, instead of relying on the prejudices and judgment of men who are not directly affected by what they do.

We believe, further, that in a democracy, we should follow democratic principles. Senate ratification of treaties is of this order. Unless Congress real soon asserts its rights under the system of separated powers, it will continue to lose ground until the executive departments will not only execute some but all policies and formulate them as well.

We appeal to you. We feel that there is still some hope in appealing to an elected body. We appeal to you because our experience has been that a tariff-making committee in an administrative position follows its own ideas and pays scant attention to the words or appeal of those appearing before it.

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#### STATEMENT OF JULIAN D. CONOVER, SECRETARY, AMERICAN MINING CONGRESS

**MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:** The mining industry of the United States is deeply concerned in the legislation now before you. It is our view that in any extension of the Trade Agreements Act at this time, certain amendments should be made in order to minimize injury to domestic producers and labor.

Operation of this act over the past 9 years has been detrimental to the mining industry without any compensating advantages. Necessary tariff protection on important mineral commodities has been lowered, with consequent direct loss to producers, and—even more serious—a loss of confidence in the future resulting in a marked decrease in exploration and development of new ore reserves.

We recognize the importance of sound economic relations with other countries and of developing a healthy foreign trade based on a mutually beneficial interchange of surplus products and services. However, we seriously question the statement that the trade agreements program has resulted in an over-all increase in our export trade, with consequent benefit to the United States as a whole and indirect benefit to the mining industry. This claim would seem to be conclusively disproved by the analysis submitted by Dr. John Lee Coulter to the Ways and Means Committee (pp. 504-508 of the unrevised committee print, April 20, 1943), which shows that, excluding the countries whose trade was interrupted by wars and revolutions, our exports to trade agreement countries in the 1934-38 period were substantially less and were increasing at no greater rate than our exports to countries with which no trade agreements had been concluded.

The argument is now strongly urged that failure to extend the Trade Agreements Act would be interpreted by other nations as evidencing a policy of non-cooperation that it might jeopardize friendly relations, and might even interfere with the conduct of the war. This is a matter of international psychology upon which we shall not attempt to pass. Congress must decide whether renewal of the trade-agreements authority is essential to retain the goodwill of other nations, or whether there are other means equally effective in securing unity of action in the war and cooperation in the post-war period.

If it is the judgment of Congress that a further extension is imperative, then certainly Congress should also consider the manner in which the authority delegated has been exercised, and whether certain clarifying or corrective amendments are now needed. We fail to see how such amendments, to insure that the original intent and spirit of the act are carried out, could be regarded as an unfriendly gesture, or disturb cordial relations with our allies.

Within our own experience, certain serious defects have become evident in the administration of the Trade Agreements Act. These were pointed out in our testimony 3 years ago,<sup>1</sup> and specific amendments to remedy these defects were suggested. Today the need for such amendments is even greater, especially so when we consider the chaotic conditions of world trade and the intense competition for markets that will inevitably follow the conclusion of the war.

Briefly, we believe the act should now be amended in the following particulars:

1. Congress, representing the people, should review and pass upon all trade agreements before they become effective.

The mining industry has held the view that these "agreements" are in fact treaties and as such should be subject to ratification by a two-thirds vote of the Senate. This position was ably set forth by the late Senator Key Pittman in the Senate debate on March 25, 1940 (Congressional Record, 76th Cong., vol. 86, pt. 3, pp. 3321-3330).

Others have suggested that the act is in reality a revenue act, having for its purpose the regulation of our foreign commerce, and consequently that any agreements should be submitted to the Congress as a whole—either for affirmative approval or for an opportunity to refuse approval.

Certainly, if the trade agreements are to be construed as mere executive agreements, the law appears woefully deficient in failing to set up any adequate standards or "yardsticks," to guide the executive agencies in exercising the extremely broad powers delegated to them.

We feel that these powers—which include the power of life or death over important segments of American industry—are too great a responsibility to be lodged in Government bureaus or committees not directly accountable to the people. There should be some check or means of restraint upon excessive zeal in negotiating agreements—in trading away the welfare of our own producers without full comprehension of the facts and without obtaining adequate compensatory benefits.

Within our observation there have been notable instances in which the trade-agreements committees have failed to make full investigation of the facts before making important tariff concessions; where their action has given the definite impression of being arbitrary, and has not evidenced the "infinite care and caution" which are claimed to be an inherent part of their procedure. The reductions in the zinc and cadmium duties in the Canadian Trade Agreement, as described before this committee and before the Ways and Means Committee in 1940,<sup>2</sup> are a case in point. In the Venezuela negotiations, which resulted in reducing the excise tax on petroleum—to the detriment not only of oil producers but also of the bituminous and anthracite coal industries—an unwillingness to discuss certain fundamental questions was apparent.<sup>3</sup>

In our judgment the importance of these contracts with foreign powers requires that they be submitted to Congress for approval, as is done in practically all other countries. The people of our country should have an equal right to study the recommendations for tariff concessions resulting from the negotiations, to present their case to their own representatives, and through them to pass upon any proposed commitments which so vitally affect their interests.

We are not able to subscribe to the State Department's view that "a demand for congressional action on trade agreements is a demand for abandonment of

<sup>1</sup> Hearings before the Committee on Ways and Means on H. J. Res. 407, vol. 2, January 25, 1940, pp. 1509-1584; hearings before the Committee on Finance on H. J. Res. 407, March 1, 1940, pp. 435-440.

<sup>2</sup> See references previously given; also hearings before Committee on Ways and Means on H. J. Res. 407, vol. 3, January 29, 1940, pp. 2053-2057; January 31, 1940, pp. 2416-2429; hearings before Committee on Finance on H. J. Res. 407, March 1, 1940, pp. 440-465.

<sup>3</sup> Hearings before Committee on Finance on H. J. Res. 407, March 5, 1940, pp. 625-642.

the whole program." This is equivalent to saying that the elected representatives of the people are not capable of weighing facts and passing sane judgment on tariff matters. It is a challenge to the intelligence and integrity of the Congress.

Our position has been that any agreement which cannot stand up under congressional review can hardly be in the best interest of the country. A provision for congressional approval not only will restore the orderly process of democratic government, but will serve to insure proper care and concern for domestic producers throughout the process of negotiating an agreement.

2. The law should specifically provide that our negotiators may make tariff concessions on any commodity only to that country which constitutes the principal source of imports.

The purpose of such a provision is, obviously, to make the trade agreements as nearly bilateral or *truly reciprocal* in character as is possible under the unconditional most-favored-nation treatment. It would merely put into effect the policy explicitly set forth by the then Assistant Secretary of State, Francis B. Sayre, in 1934 (Finance Committee hearings on H. R. 8687, April 27, 1934, p. 114), when he said:

"The whole purpose of the program of trade bargaining is this: To restrict the commodities covered in the agreement with any specific country to commodities of which that country furnishes the chief source of supply of importation into the United States. Then, under our most-favored-nation agreement, to generalize those rates to other countries."

Unfortunately this policy has not been adhered to, and numerous important concessions have been made to countries which are only minor sources of supply. Examples in the mineral field, in addition to zinc and cadmium, include cobalt oxide and certain ferro-alloys in the Canadian agreement, zinc oxide in the Mexican agreement, and lead oxide and silica sand in the Belgian agreement. In several of these cases, the trade agreement country to which the concession was made supplied no imports whatever to the United States.

Concessions thus made have been extended gratis to other countries, from which no concessions are received in return. Frequently the major benefits of a tariff reduction, entailing the major injury to American producers, have gone to these other countries, from which we have received no reciprocal benefits. Under these conditions it is not surprising that the impression has spread that the trade agreements program was being used primarily as a vehicle for general tariff reduction, rather than a means of bargaining for advantageous concessions on our own surplus products.

To insure adherence to Congress' original intent, the trading away of concessions to minor sources of a commodity should be barred, and specific provision made to limit our concessions to the country which is the major source of imports, and which can afford to trade us something worth while in return.

3. There should be definite provisions in the law making mandatory the application of the "escape clauses," and providing for adequate review and correction of injury to domestic producers.

This subject was thoroughly discussed in the testimony presented by ourselves and by representatives of the zinc industry 3 years ago, to which I have previously referred.

Experience of the zinc industry with the much advertised "escape clause" of the Canadian agreement was bitterly disappointing. This industry's case fulfilled completely the requirements for the granting of relief. The major benefits of the duty concessions were received not by Canada, the country to which they were granted, but by other countries, from which our imports greatly increased. The industry was seriously injured by such imports, by the depression of prices and wages, and by a loss of confidence in the future which brought exploration for new ore bodies almost to a standstill. This last factor has contributed directly to a serious situation today in the supply of one of our most essential war metals.

Despite a thorough, painstaking presentation of the facts, supported by careful studies by the United States Bureau of Mines and by the zinc expert of the Army and Navy Munitions Board—a record which so impressed the chairman of the Finance Committee that he publicly stated he thought a mistake had been made—the State Department took no action to remedy the situation. As a matter of fact, any possibility of relief under the escape clause was effectively barred last year when a trade agreement was concluded with Mexico, freezing the reduced rates of zinc duty (and, in addition, making a similar duty cut on lead, which is a joint product of our zinc-lead mines).

Out of the 1,180 reductions in duties under the trade agreements to date, we know of hardly a single instance in which the escape clauses have been successfully invoked. Failure to apply them even where clear-cut need has been shown has been an outstanding weakness of the program. It should be corrected by a mandatory provision of the law.

There are also many other conditions, not covered by the escape clauses, under which revision of agreements may be needed to prevent injury to our own producers and workers. Thus, the depreciation of foreign currencies; discriminatory trade practices of other countries; lowered production costs elsewhere versus increases in our own costs resulting from the "social gains" which have been adopted by our Government; the competition of foreign cartels not inhibited by antimonopoly laws, and the dumping of excess production (such as has been frequent following a war) are some of the factors that may call for remedial action either in revising the agreements entered into, or in limiting the "generalization" of concessions to other countries.

Insofar as possible, specific remedies for such conditions should be provided in the law. Thus the flexible provision (sec. 336) of the Tariff Act of 1930, permitting tariff adjustments where needed to equalize costs of production at home and abroad, should be restored and made effective. At present this provision has been nullified as to all commodities which have been included in trade agreements. Similarly the Anti-Dumping Act of 1921 should be made mandatory rather than permissive. The discretionary authority to suspend tariff concessions to third countries which discriminate against American commerce should be supplanted by a definite provision of law, under which the most-favored-nation benefits would be extended only to those countries which do not in fact discriminate against our products.

Finally, there should be some provision whereby industries injured under a trade agreement might obtain court review, or review by a nonpolitical fact-finding tariff agency, and upon a finding of substantial injury (if the case does not fall within the scope of the escape clauses), negotiations should then be reopened with a view to withdrawing or modifying the concession.

Thus far the trade agreements have operated in a period of generally expanding business and rising prices, which has lessened the impact of our tariff concessions. With the intensified foreign competition that is certain to follow the war, it seems inevitable that some of these concessions will bring serious distress and unemployment, unless means of obtaining prompt and certain relief are available.

This applies particularly to an industry such as mining, which is governed by the physical facts of ore occurrence. Mines cannot be moved to other locations nor converted to the production of other goods. They are generally in isolated or semisolated localities and are usually the sole support of their communities. For the most part foreign mines have substantially lower costs of production, due to higher grades of ore, lower wages, and fewer legislative requirements adding to the costs of operation. Our modern cost-reducing machinery is equally available to the foreign mines, which threaten to put many of our domestic producers out of business when the war is over.

Vitally involved also is the question of national self-sufficiency in regard to some of our most important minerals and metals. In the present crisis one of our major difficulties has been to secure adequate production of the mineral raw materials essential to national defense and the prosecution of the war, and we are not yet out of the woods by any means. Sound national policy for the future demands the maintaining of our mining industries in healthy condition, and this cannot be accomplished under a program which trades away needed tariff protection without proper safeguards and without adequate recourse in case of demonstrated injury.

The policies determined upon by Congress in the pending legislation will vitally affect the future of important branches of mining in this country. We believe that amendments to the act such as we have proposed are to the best interests of our country and are fully in keeping with the spirit of the reciprocal trade-agreements program. We solicit your earnest consideration of those amendments.

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PRESENTATION OF THE NATIONAL BROTHERHOOD OF OPERATIVE POTTERS, EAST LIVERPOOL, OHIO, BY JAMES M. DUFFY, INTERNATIONAL PRESIDENT

On behalf of the National Brotherhood of Operative Potters, affiliated with the American Federation of Labor and representing over 90 percent of the workers in the pottery industry, we appeal for limitations and safeguarding amendments to the pending trade-treaty legislation.

Our interest in the reciprocal trade treaties is direct and vital. The rate of duty on foreign-made pottery and chinaware products is a matter of livelihood for us. It is not an academic issue to us as it is to the theorists who play with job opportunities as if they were pawns in a game of chess. In setting a ceiling price on pottery in 1942 the Office of Price Administration found that direct labor costs in the pottery industry averaged 46 percent, which with the indirect labor costs and costs of material totaled 84 percent of the cost of production. This makes it clear that this is not a mechanized mass-production industry.

The chief source of competition in American markets are the products of workers of Japan and the Japanese cost of production is similarly based on labor costs but labor costs totaling not over 30 percent. We know very well the sort of wage rates paid in Japan and there is no reason to believe that they will be even as high after the war is over. In the case of foreign-made pottery and chinaware competition is distinctly wage competition, and, as stated in Report No. 102 of the Tariff Commission on Pottery, "Notwithstanding the fact that for many years the rates of duty on household table and kitchen pottery \* \* \* have ranged from 45 percent ad valorem upward, the share of imports (foreign-made articles) in total consumption in the United States has continued to be much higher than in most other manufactured commodities. The manufacture of such pottery requires a large amount of skilled hand labor \* \* \*" etc.

There is a tendency on the part of the supporters of the extension of trade treaties to regard any industry that is not a mass-production industry as unworthy of protection. They constantly point to the benefits of exports to our mass-production industries and are apparently willing to sacrifice other industries in the small-business field to further enrich these large corporations. Small business has difficulty enough to survive as it is. They need no low-priced competition of foreign-made competitive goods to help him go out of business.

At the same time these theorists pass off imports of competitive goods with the words that it comes mostly from hand labor. Why they should feel so kindly toward hand labor when it is foreign but despise it when it is American is a mystery. According to their ideas a worker is not entitled to much consideration unless he is a machine tender. Skilled crafts no longer find honor in the eyes of these heavy Washington thinkers.

What they seem to overlook is the fact that products with high labor costs provide more employment per dollar than do those industries, such as mass production, with low labor costs. Somehow, this is supposed to be uneconomic. But if all our industries had labor costs of only 15 or 20 percent where would the purchasing power come from which has made America great and made possible our purchasing the products not only of the low labor costs mechanized mass-production industries but the products of other industries comparable to our own? This question has never been answered by the profound economists who cannot wait until our production is concentrated into the hands of "Big Business."

We recognize the fact that there is very little appeal that we can make to those who have made up their minds that small business, especially small business employing skilled craftsmen and women, is inefficient and obsolete, and, therefore, has no place in the corporate scheme of things of today. But those who recognize the incalculable value of a large number of self-sustaining smaller business enterprises, that in the aggregate pay out large sums in wages, will understand why it is a vicious practice to seek out such industries for special exposure to foreign competition. Some of our American industries cannot become highly mechanized from the nature of their products, and, our foreign competition is also necessarily hand-made products.

But far from selecting such industries for liquidation we should be glad that we have still some left. Of course, those who favor strongly centralized bureaucratic control and regimentation always lose patience with the smaller business units. It is far simpler to control a few large corporations than hundreds of smaller units. The latter unquestionably complicate the imposition of neat and streamlined controls. They lack the uniformity of the large corporations. They are too individualistic. So, if you favor regimentation and totalitarianism, you should favor destruction of the smaller business concerns. And a swift and sure way of doing this would be to lower the duties of the products of workers in Japan, although the excuse is given that your intention was to favor only the workers of England.

Other than on a basis of a particular economic doctrine, which is contrary to the democratic American spirit, can certain industries be selected as pawns for the benefit and favor of other large industries? This is rank discrimination and

should not be tolerated by people who believe in equality of opportunity and of free enterprise. It makes sense only under an entirely different economic and social philosophy from our own, a philosophy that some persons, in high governmental positions, have been seeking, in recent years, to establish in this country.

The fair and equitable method of adjusting tariff duties, levied on products of workers in foreign countries which compete in America's markets with the products of America's workers, is to find the difference in costs of production and then to collect tariff duties which will place competition between the products of America's workers and the workers of foreign countries, when sold in America's markets, on an equal footing.

By this method one industry is not ruined for the sake of benefiting other industries. By this method the job opportunities of America's workers would be given some protection. Such a method is fair to both the American industrialists and their real competitors, those who profit by their distribution in America's markets of the products of the underpaid workers of the foreign countries. Such a method would not stifle foreign competition nor does it allow imports of the products of low wage paid workers of foreign countries to run riot. Such a method would permit of the retention of a fair share of the American market for American producers and this share is left or placed on a healthy level, allowing a fair margin of profit after the payment of fair wages to the workers.

Under this system of tariff adjustment the workers in the American pottery and chinaware industries would have nothing to fear from the bureaucrats extending the most-favored-nations clause to all countries, even though we receive no benefit from this generous gift which we grant to all. We would then abandon the present farce of holding hearings that mean nothing. We would get away from international and diplomatic logrolling in the game of power politics without going back to congressional logrolling.

It is useless to make reasonable suggestions to the proponents of the reciprocal trade treaty program extension. Their minds are closed. But we hope that the elected representatives of the people will still listen to and accept reasonable and sensible proposals. We believe that the time has come when the trend toward concentrating unnecessary powers in the executive branch of the Government should cease. We believe that the Congress should reassert its constitutional authority and retrieve for the people their rights under a representative form of government. We recognize the necessity of concentrated authority in matters affecting the prosecution of the war. Against such concentration we do not protest, but, the reciprocal trade treaty program is not now and never was a war measure. To seek to draw it into such an arena is purely a stratagem. It is an effort to ride into a new lease of life under false colors. It is an admission that the program cannot stand on its own feet. It betrays the very legitimate fears of the supporters of the program that it cannot win on its merits, that it has failed to meet the claims made in its behalf, and that if left to go its way alone, as it should, it would not survive unchanged.

To speak plainly and without frills, the trade treaty program has failed in all of its cardinal points. (1) It was supposed to lead to international peace. It failed. (2) It was to increase domestic employment. It failed. (3) It was to increase exports. It has failed to do so in itself.

A very careful analysis, made in 1940 by America's Wage Earners Protective Conference, the tariff group of the American Federation of labor, of which this organization is one of the member affiliates, of the real effects of the trade treaty program showed conclusively that exports to trade agreement countries did not increase more from 1934 through 1938 (the last full year prior to the outbreak of the present World War) than exports to contiguous nontrade agreement countries, and when exports did not increase surely domestic employment did not increase as a result of the trade treaties which we had entered into.

In view of the failure of the trade-treaty program to measure up to the claims of its proponents we favor substituting the cost-of-production method of adjusting tariff duties. Tariff duties levied on imports into America's markets on competitive products, to the end that products of workers in foreign countries should not be delivered into our markets at total delivered costs which are less than the American costs of production. We also favor Senate ratification of all trade treaties with a proviso that such trade treaties shall be voted upon within, say, 60 or 90 days after they have been placed before the Senate. Further, we believe that such legislation should be subject to court review, as is all other legislation.

After the end of the First World War the United States found its markets flooded with products of low-wage paid workers of foreign countries. We found it necessary to pass hurriedly an emergency tariff act. After this war we will face a much worse situation, both because we will have about twice as many men in uniform and because we have converted our industries more completely to war production. The reciprocal trade treaty program will not serve as a useful or even a usable instrument to meet this situation.

We, therefore, believe that the trade treaties should be suspended within 6 months after the cessation of hostilities so that our hands will be free to meet the situation as it develops.

Under the conditions above suggested we do not oppose the extension of the trade treaty authorization for the duration of the war.

AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC.,  
New York City, May 20, 1943.

CHAIRMAN, COMMITTEE ON FINANCE,  
United States Senate, Washington, D. C.

SIR: The American Watch Assemblers' Association endorses the policy adopted by Congress, under the act approved June 12, 1934, authorizing the President to enter into trade agreements with foreign countries, and earnestly requests that the provisions of this act be extended for a further period of 3 years, as it was heretofore extended in 1937 and 1940.

This association is familiar with the careful and efficient manner in which these trade pacts are drawn, as it was particularly interested in the trade pact negotiated with Switzerland in 1936. It is convinced that tariff legislation, imposing rates of duty on imported merchandise, was never the result of as extensive a study of all of the factors and as careful a regard for the language used as has been the case in the formulation of trade pacts under the authority given by Congress.

Referring to the trade pact negotiated with Switzerland and with which the membership of this association is more familiar, it may be stated that the rates of duty imposed in the Tariff Act of 1930 were as high as 153 percent expressed in terms of ad valorem duties. These rates constituted in many instances effective barriers against importation. The trade agreement with Switzerland adjusted these rates of duty and at the same time afforded ample protection to the American industry.

Domestic manufacturers of watches have steadfastly opposed reductions in duties, under the trade agreement with Switzerland, and have represented that if such agreement is continued, they would be seriously affected and forced out of business. Such arguments were, and are, fallacious, as reports of the earnings of the leading companies will disclose. Financial information shows that these earnings have increased with respect to efficiently operated domestic manufacturers over the earnings prior to the negotiations of the trade agreement, and have either steadily increased during the time that such agreement has been in effect or have not suffered any substantial decrease.

The arrangements entered into with Switzerland in said agreement have also resulted in eliminating, as far as we know, the most vexing problem of smuggling which had assumed such large proportions and which the Treasury Department was unable to successfully fight, notwithstanding the cooperation on the part of the watch importers and the domestic manufacturers.

It is suggested to your committee that trade barriers represented by excessive duties and unnecessary restrictions are factors in world unrest and undoubtedly contribute to armed conflict. The greatest incentive to world security is the exchange of commodities under reasonable duties and requirements. Therefore, where tariff duties and restrictions are necessary to maintain efficiently operated American industries, such duties and restrictions should not extend beyond this point with the result of creating embargoes against the merchandise of a foreign country.

To determine the proper customs duty to be assessed on a given commodity requires extensive and careful investigation by competent experts and the utmost care in the drafting of the agreements. The Tariff Commission and the State Department have afforded, within the experience of this association, full opportunity for all interested persons to present views and statistics, and have given the most extensive study to any changes made in the rates of duty imposed under the Tariff Act of 1930.

We believe that this is the only way in which equitable and proper tariff duties can be assessed and that the antiquated method of enacting an entire tariff act

after a few months of hearing should be permanently displaced by this more exact and satisfactory procedure.

We urge that the authority to negotiate these trade pacts be not limited by the requirement of confirmation by Congress of any proposed reciprocal agreement as, in our opinion, this would destroy the scientific method in which they have been formulated heretofore and would introduce a political angle which would in effect revert to the old method of enacting tariff acts.

Respectfully,

AMERICAN WATCH ASSEMBLERS' ASSOCIATION,  
ROLAND GSELL, *President*.

(The following letter was subsequently received from Mr. Roland Gsell:)

AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC.,  
*New York City, May 24, 1943.*

HON. WALTER F. GEORGE,  
*Chairman, Committee on Finance, Washington, D. C.*

DEAR MR. CHAIRMAN: The American Watch Assemblers' Association is concerned with misleading statements made before the Committee on Ways and Means of the House of Representatives, and repeated before the Committee on Finance of the Senate, at hearings held before those two committees on House Joint Resolution 111, a joint resolution to extend the authority of the President under section 350 of the Tariff Act, as amended. These statements refer particularly to the alleged effect upon American workers and American watch producers of importations from Switzerland of watch movements and watches under the existing reciprocal trade agreement between Switzerland and the United States and the alleged benefits resulting to Germany from this business.

The association asks the committee to consider the following information:

American dollars paid to Switzerland are not available to Germany. They are held here in the United States, deposited in the blocked account of the Swiss National Bank. Payments for all imports from Switzerland are made into this account as directed and licensed by our Federal Reserve bank. The Swiss National Bank, which is comparable to our Federal Reserve bank, pays the Swiss exporter with its own Swiss francs against the blocked dollars held in the United States. The Swiss manufacturer spends those francs in Switzerland to pay his labor or other production costs. None of it goes to Germany.

Nor does it go to Germany for materials used in watches. Practically all of the steel used in Swiss-made watches comes from Sweden. The brass used in Swiss-made watches most likely is made from copper imported from the United States in 1940. In that year, with the countries around her at war, Switzerland bought from the United States and stored enough copper to supply her needs for a great many years.

Moreover, extremely strict control is exercised by Switzerland over funds remitted by her citizens into Germany. Even had Germany supplied all the brass going into all the Swiss-made watches imported into the United States during 1940, 1941, and 1942, the actual weight of the brass so used would have had an import cost into Switzerland of not more than \$15,000.

And even had all the raw materials come from Germany—which they did not—surely it is infinitely better to have the material converted into watches for use in the United States instead of fuses, instruments, or other war materials for use by Germany.

The domestic manufacturers often have contended that the wages paid to skilled labor is practically the cost of a watch movement. Cost of the raw material in a watch movement is negligible. The benefits and advantages to us in keeping highly skilled Swiss workers employed in making watches for our use rather than producing needed war materials for Germany are so obvious as to need no comment. While they are working for us they are not working for our enemies. Importations from Switzerland help meet America's present need for watches, which American manufacturers cannot now supply.

There is no stock pile of Swiss-made watches in the United States. We have about 20,000 retail stores dealing in watches, and not one has an adequate supply of watches. American-made watches are in great demand but unobtainable, and this accumulated demand for American-made watches will be stronger than ever; after the war domestic manufacturers will have to use all their facilities to supply that demand.

Competition from Swiss watch importations did not reduce the number of American watch factories. It was more than 20 years ago that we had 60 Ameri-



can watch manufacturers. Everyone of them making jeweled watches, and many of them making nonjeweled watches, imported many of their parts and much of their machinery from Switzerland. Few watches were imported from Switzerland during the years when most American factories went out of business. Competition amongst themselves, lack of capital, lack of quality, failure to keep abreast of style changes, business failures and mergers caused the reduction in the number of American manufacturers. Those same factors are found in the histories of other industries in the United States, such as the automobile industry, for instance. Forty years ago, more than 100 firms were making automobiles. Today there are only 5 major automobile manufacturers. In the watch industry, 3 of the original manufacturers of jeweled watches remain in business today. In addition, at least 10 of the manufacturers of domestic nonjeweled watches still are in business. The 3 manufacturers of jeweled watches are now under indictment by the Department of Justice for violation of the antitrust laws.

Meantime, new jeweled-watch manufacturers have sprung up in America, and today they all still face the same competitive difficulties which in the past forced the concentration in the industry.

The policy of reciprocal trade agreements has been adopted by the United States Government. The production of watch movements and watches is one of the principal industries of Switzerland. Naturally, Switzerland is seeking an outlet for this production. We should take it, not let it go to Germany. The State Department entered into this trade agreement because it is advantageous to the United States. Its work should not be undone.

Respectfully submitted,

AMERICAN WATCH ASSEMBLERS ASSOCIATION,  
By ROLAND GSELL, *President*.

STATEMENT IN OPPOSITION TO THE EXTENSION OF THE RECIPROCAL TRADE  
AGREEMENTS ACT JUNE 12, 1934

CHAIRMAN, SENATE FINANCE COMMITTEE,  
*United States Senate, Washington, D. C.*

Sir: The Wool Hat Manufacturers Association of America, comprising practically all the companies engaged in producing wool felt hat bodies out of which women's hats are made, request that its opposition be recorded to any further extension of the Trade Agreements Act of June 12, 1934.

We base our familiarity with the operation of the trade-agreements program on the many years the products of our industry were sold in the United States in competition with imported merchandise both before 1934 and since.

The act has now been sufficiently long in operation for the Congress to determine to what extent, if any, it has accomplished its expressed purposes:

1. Whether it has helped relieve unemployment.
2. Whether it has increased importations into the United States.
3. Whether it has helped cure our national depression.
4. Whether it promoted good will among nations.

The factors such as war and the many national emergency measures since, possibly cloud the picture too much to obtain clear answers to those questions. In our opinion, the trade-agreements plan remains as originally a theory, either viewed nationally or for future post-war planning.

But whether practicable or not and whether or not its operation has helped our domestic economy or our foreign relations, we believe is irrelevant.

We oppose the act on an entirely different ground—one affecting the foundations of our democracy.

THE TRADE AGREEMENTS ACT OF JUNE 12, 1934, IS UNCONSTITUTIONAL

These are the reasons:

1. The act involves raising of revenue. The Constitution requires that all revenue measures must originate in the House of Representatives. In point of fact, tariff rates were adopted secretly (in the State Department) during treaty negotiations, not by the House of Representatives, but by the executive branch of government.

2. In the Constitution and in our constitutional form of government is found the doctrine of the "separation of powers" of the executive, legislative, and judicial branches of the Federal Government. One branch is not permitted to encroach on the other. By the Trade Agreements Act of 1934, Congress abdicated its exclusive constitutional powers over customs duties and the regulations of foreign

commerce in favor of the executive branch. By the same provisions, the executive branch has used those powers for purposes which, we believe, are utterly extraneous to those alleged in the preamble to the law. Commerce, as such, does not exist during the war period. Congress, of course, never intended confusion of trade policy with foreign policy, the policies of two distinct branches of government.

3. The power delegated to the Executive to change tariff rates up to 50 percent is the delegation of discretion, unfettered except beyond the range specified. The Constitution requires that Congress must exercise its own discretion. Cases in support of this view will more fully appear from a discussion of the law hereinafter set forth.

4. The Constitution makes mandatory the concurrence of the Senate in all treaties. Treaties are those agreements with foreign powers which involve the exercise of legislative power to motivate them. The trade agreements entered into under the act of June 12, 1934, involve legislative power; namely, to levy duties and regulate commerce. All treaties, whether called agreements, pacts, or by any other name, require the concurrence of the Senate. No consent has been had nor has any been sought. The agreements, therefore, are void.

#### THE TRADE AGREEMENTS ACT IS AN EXAMPLE OF ADMINISTRATIVE FINALITY

It is seldom in our history that a wrong may continue without a judicial remedy. In the instance of the act of June 12, 1934, we have an enactment unconstitutional on the four grounds mentioned, yet there is no remedy afforded by any legal tribunal. The wrongs may be corrected only by the Congress, possibly when it is too late.

Under the Tariff Act of 1930, which the act of 1934 amends, there are two methods by which a decision of the Secretary of the Treasury or the collector may be made the subject of attack. One is the customary procedure by protest after the payment of duties under section 514 of the Tariff Act of 1930. The other is known as the manufacturer's protest under sections 333 and 516 (b) of the same act.

There was little danger of an importer availing himself of the judicial remedy afforded by the statute since in nearly every instance of over a thousand changes of tariffs, the change made was a reduction downward. The attempts to raise questions of constitutionality were thus cut off and executive finally permitted to stand until Congress repealed the law.

The remedy by way of manufacturer's protest under sections 333 and 516 (b) was specifically taken away by section 2 (a) of the law itself. While losses could be proven and in instances were heavy almost to the point of extinction, such as the losses suffered by the Florida fruit and vegetable growers through reduction of rates on imports from Cuba. In that case there was no remedy at law to afford relief to our own citizens engaged in agricultural pursuits.

George S. Fletcher, one of a large group of Florida fruit and vegetable growers, challenged the constitutionality of the Reciprocal Tariff Act on the ground that the delegation of power by Congress to the President to enter trade agreements with foreign nations is unconstitutional, and, further, that the treaties were not ratified by the Senate. As a consequence, he contended that the increased rates in the treaty with Cuba were void and of no effect. The case was dismissed in the United States Customs Court at New York in a decision reported in Treasury Decision 48684 of December 2, 1936. The Court of Customs and Patent Appeals sustained the trial court in an appeal taken (Suit 4088) in Washington on the ground that the courts were without jurisdiction in opinion reported in 25 Court of Customs and Patent Appeals, 195.

The courts also refused to pass on the constitutionality of a portion of the Reciprocal Tariff Act in *George C. Wisler v. United States*, Treasury Decision 49170. Wisler, an importer of steel files from Germany, contended that the proviso to section 350 (a) of the Trade Agreements Act under which the President suspended the application of the reduced rates on files in the Swedish Treaty was invalid on the ground that by permitting the higher rate to apply it discriminated against Germany in the commerce with the United States and constituted an unlawful delegation of legislative power to the Executive.

#### THE RECIPROCAL TRADE AGREEMENTS ACT IS A USURPATION OF CONGRESSIONAL FUNCTION

*Separation of powers.*—Customs duties and the regulation of foreign commerce are two functions which under no pretense or color of right belong to any branch of government, save only the legislative branch.

The fact nevertheless is that Congress today has deprived itself of its constitutional power over customs duties and foreign commerce.

In the Constitution are provisions in separate articles for the three great departments of government, executive, legislative, and judicial.

Legislation looks to the future and changes existing conditions by making a new rule to be applied thereafter to all or some part of those subject to its power (Holmes, J. in *Prentiss v. Atlantic Coast Line*, 211 U. S. 210, 226 (1908)).

The doctrine of the "separation of powers" of the executive, legislative, and judicial branches of the Federal Government is fundamental in the American theory of constitutional government. See *The Federalist*, Nos. 47 to 51. One branch is not to encroach upon the other. Essential functions of the legislature are not to be usurped by the executive or the judiciary. Similarly, the legislature is not to interfere with the other coordinated departments of government except where an intermingling of action is contemplated by the Constitution itself.

In this way dangerous concentration of power is avoided and respective powers are assigned to the department best suited to exercise them.

After a bill becomes law, it is the President's duty to see that it is enforced. He cannot veto it by inaction and there is no power in the President to repeal an act of Congress. Of course, in enacting legislation, Congress may provide either that its operation shall be suspended or that it shall go into effect upon the occurrence of certain events, the existence of which shall be ascertained by the President.

But in the reciprocal trade agreements program no pretense whatever, no legalistic justification for supplementing, overlapping, or usurping legislative power, exists. The law on the subject has long since been settled.

The power to regulate commerce conferred by the Constitution upon Congress is that which previously existed in the State, *South Carolina v. Georgia* (93 U. S. 4, 10 (1876)). It is complete in itself, may be exercised to the utmost extent, and acknowledges no limitations (*Gibbons v. Ogden*, 9 Wheat. 1, 197 (1824); *University of Illinois v. United States*, 289 U. S. 48 (1933)).

It is now a settled principle of our democracy and constitutional form of government that in its sphere the legislature is supreme and the full exercise of its exclusive powers cannot be divested. Any attempt is not voidable but absolute, since done without power. As a consequence, there is nothing to support usurpation—not even emergency.

Emergency legislation may not be arbitrary or oppressive (*Treigle v. Acme Homestead Assn.*, 297 U. S. 189 (1936)). For illustration, a statute bringing about impairment of the obligation of contract is void (*W. B. Worthan Co. v. Kavanaugh*, 295 U. S. 56 (1935)).

The conditions to which power is addressed are always to be considered when the exercise of power is challenged. Extraordinary conditions may call for extraordinary remedies. But the argument necessarily stops short of an attempt to justify action which lies outside the sphere of constitutional authority. Extraordinary conditions do not create or enlarge constitutional powers (*A. L. A. Schechter Poultry Corp. v. U. S.* 295 U. S. 490, 528 (1935), citing *Ex Parte Milligan*, 4 Wall. 2, 120, 121 (1886); *Home Bldg. & L. Assn. v. Blaisdell*, 290 U. S. 398, 426 (1934)). The Constitution established a National Government with powers deemed to be adequate, as they have proved to be both in war and peace, but these powers of the National Government are limited by the constitutional grants. Those who act under these grants are not at liberty to transcend the imposed limits because they believe that more or different power is necessary. Such assertions of extraconstitutional authority were anticipated and precluded by the explicit terms of the tenth amendment.

#### THE ACT IS AN UNLAWFUL DELEGATION OF LEGISLATIVE POWER

The act in question amends the Tariff Act of 1930.

The power in Congress to lay duties, although embraced in the taxing power (Constitution: Art. 1, sec. 8, cl. 1), may and is exercised as a regulation of foreign commerce (Constitution: Art. 1, sec. 8, cl. 3).

It is now settled law that "this power is exclusive and plenary" (*Board of Trustees of the University of Illinois v. United States*, 289 U. S. 48).

In *Schechter Poultry Corp. v. United States* (295 U. S. 495, 537 (1935)), the Supreme Court of the United States held:

"Congress cannot delegate legislative power to the President to exercise an unfettered discretion to make whatever laws he thinks may be needed or advisable for the rehabilitation and expansion of trade or industry. (See also *United States v. Chemical Foundation*, 272 U. S. 1 (1926); *Panama Refining Co. v. Ryan*, 293, U. S. 388 (1935))."

In the *Poultry Corp. case*, a finding that the general purposes of a statute would be promoted by the President's exercise of legislative power was held to be not a finding of fact but a mere expression of an opinion, leaving him free to exercise his discretion as he saw fit.

The principles to determine the constitutionality of legislative grants of power were fully developed and established by the Supreme Court in *Hampton & Co. v. United States* (276 U. S. 394), and *Field v. Clark* (143 U. S. 649).

A summary of legislation dealing with past delegations of legislative authority appears in *Norwegian Nitrogen Co. v. United States* (288 U. S. 204, at pages 308-309).

The leading case on the subject is *Field v. Clark, supra*. Section 3 of the Tariff Act of October 1, 1890, authorized the President if he were satisfied that any foreign government was imposing duties on certain products of the United States which "he may deem to be reciprocally unequal or unreasonable," he should have power to suspend the provisions of the act relating to the free induction of certain commodities into the United States, in which case certain tariffs prescribed in the act of Congress should become applicable. The President's action, the court found, was to be determined upon the basis of findings with respect to the commercial regulations of other countries, and nothing involving the expediency of the legislation was left to his determination. The taxes to come into operation were preordained by the legislature. The President, therefore, was a mere agent to the lawmaking department to ascertain the event upon which its expressed will was to take effect.

It has been said by the Supreme Court of the United States in the majority opinion holding the so-called Agricultural Adjustment Administration law unconstitutional in *United States v. Butler*:

"The Constitution is the supreme law of the land ordained and established by the people. All legislation must conform to the principles it lays down. When an act of Congress if appropriately challenged in the courts as not conforming to the constitutional mandate—the judicial branch of the Government has only one duty—to lay the articles of the Constitution which are invoked beside the statute which is challenged and to decide whether the latter squares with the former.

\* \* \* \* \*

"The question is not what power the Federal Government ought to have but what powers in fact have been given by the people. \* \* \*

"The Federal Union is a government of delegated powers. It has only such as are expressly conferred upon it and such as are reasonably to be implied from those granted."

Congress cannot delegate to another department of the Government powers which are strictly and exclusively legislative (*Wayman v. Southard*, 10 Wheat. 1, 6 U. S. (L. ed.) 253; *Union Bridge Co. v. United States*, 203 U. S. 364-365).

Thus the principle that Congress cannot delegate such power to the President is universally recognized as vital to the integrity and maintenance of the system of government ordained by the Constitution.

At the hearings on Thursday, April 26, 1934, when the bill (H. R. 8087) was before the Committee on Finance of the Senate, the following took place (pp. 8-9):

"Senator REED. The bill pending before us would give the President power, in his discretion, to modify a tariff to the extent of 50 percent in either direction.

"Secretary HULL. Well, it is a judicial discretion, which is, of course, very different from any capricious discretion. It is a judicial discretion involving the same authority to make changes that was written into section 317 of the Fordney Act and carried forward by general consent of this committee and of the Senate as section 338 of the Smoot-Hawley Act, which gives the President authority not only to exercise his own discretion but to make his own findings of fact on which he would rest that discretion.

\* \* \* \* \*

"Senator REED. Mr. Secretary, do you remember when the flexible tariff provision was under consideration in 1929 and you were then a member of the House?

"Secretary HULL. Yes; there was not any panic then.

"Senator REED. There was not any panic, but you said at that time that that was too much power for a bad man to have or for a good man to want."

Again, at the hearings (p. 31):

"Secretary WALLACE. Senator, I wonder if you happen to know how many hearings are being held in Government nowadays?

"Senator REED. I don't know, Mr. Secretary, and I am wondering, therefore, if it is wise to give these wide powers to human beings who are physically unable

to keep up with the work of their departments. I am not blaming you in the least, but I don't believe that the genius exists who could have personal knowledge of all that is going on in the Department of Agriculture today. With all our dissension in Congress, at least, we are compelled to hear interesting people personally before we act, but I gathered that you did not hear either the paper people or the jute people, before you put those taxes on.

"You had to delegate that authority to somebody else, so, when we gave you the taxing power, really, we were delegating it to some unnamed person in your department. Now, that is the way this would work out, if we gave this power to the President, isn't it?"

"Secretary WALLACE. Oh, undoubtedly, the President would have to delegate it to competent people.

"Senator REED. Yes.

"Secretary WALLACE. That is what executive government consists in.

"Senator REED. Yes.

"Secretary WALLACE. It happens to be a slightly different thing in the legislative branch.

"Senator REED. So that, instead of Congress, which is elected and which is accountable to the people who elected it, putting these taxes on, this would be put on, not even by the President, but by some official to whom the President delegated it?"

"Secretary WALLACE. Why, undoubtedly."

Again at the same hearings (p. 31):

"Senator REED. Mr. Secretary, is it your idea that the administration would lay down some sort of a formula for the revision of tariff duties or a formula for the foundation of the proposed trade agreement?"

"Secretary WALLACE. I don't see how the administration could lay down a formula. The thing is too complex for that."

Again at the same hearings (p. 67):

"Mr. SAYRE. Yes, sir. I was really hoping that Senator Reed was going to ask me some questions about the difference between H. R. 8687 and these other acts, insofar as these aspects are concerned. That is to say, with respect to these other acts, I have heard it said on many sides that, for instance, in the act of 1890 you are discussing specified duties and you are discussing specified action—the President after the exercise of considerable discretion, must do certain specified things; whereas, under H. R. 8687, the President is empowered not only to exercise discretion as to whether to act or not, but, having exercised that discretion, he still has a discretion as to how far to raise or lower duties; and it seems to me interesting to compare some of the preceding acts with H. R. 8687, with respect to that feature.

"Senator REED. I think that is true, Dr. Sayre, but long experience in the Senate, has taught me that there is nothing more futile than protracted arguments on the constitutionality of proposed laws. In all sincerity and nonpartisanship, we may differ, and the only effect on the country is to bore it to death. I am truly concerned with the constitutionality of this bill, but I think it is a waste of time for me to argue it at this stage of the proceedings."

The Congress may make the extension of an act depend upon the proclamation of the President, showing the ascertainment by him of the fact that the edicts of certain nations had been revoked or so modified that they did not violate the neutral commerce of the United States. The same principle would apply in a case of the suspension of an act on a contingency to be ascertained by the President and made known by his proclamation (*The Aurora v. United States*, 7 Branch, 282, 305 (L. ed.) 378; the cases of *Field v. Clark*, and *Union Bridge*, supra).

Unless, therefore, the Trade Agreements Act is within the limitations of the Constitution as judicially decided, it is unconstitutional and void.

THE AGREEMENTS ENTERED INTO BY THE PRESIDENT WERE NOT CONCURRED BY  
AND WITH THE ADVICE OF THE SENATE

Assuming for the purpose of argument that the act does not lack constitutionality as an unlawful invasion of legislative power, we contend that it is unconstitutional for another reason.

Article II, section 2, clause 2 has but one exception which does not apply to treaties or trade agreements. Presidential power to make treaties is conditional upon the advice of the Senate, and provided two-thirds of the Senate present concur. The exception relates only to appointments.

None of the trade agreements have been ratified by the Senate.

In a speech of the Honorable James M. Beck, of Pennsylvania, (former Solicitor General of the United States) made in the House of Representatives, March 24, 1934, on the subject, should the Power of Tax Be Vested in the President, among other things he said:

"\* \* \* in a moment of hysteria, for that is what it is, in an economic crisis \* \* \* we are prepared to abandon a basic rule of taxation and also a fundamental principle of our Constitution that no treaty that shall bind the faith and credit of the United States to a course of action with another government shall be valid unless it have the concurrence of two-third of the Senate.

"We are thus confronted with the possibility of a double violation of the Constitution.

"Please remember that there is no question about the President's power to negotiate all the trade treaties he wants, because his power of negotiation is as surely vested in him as is the power that Congress exercises to impose taxes, but when he negotiates, and he can negotiate with any nation for reciprocal exchange of imports and of duties upon imports, he must return it to the Senate for its approval, and if it involves changes in taxation it must be returned to the House, because the power to originate any tax is the ancient privilege of the House of Representatives and the final power to impose the tax, whether in accord with a trade agreement or not, is the greatest of all prerogatives of Congress itself. Therefore, there is no objection to the President, if he feels he can improve our economic situation, to making a tariff treaty with Germany, with France, or any nation, but we do object to the President's having the final authority without submitting it to the Congress of the United States and to that body of the Congress which has the peculiar right to say when we shall commit ourselves to binding agreements with other governments in matters of legislative policy.

"I know there are many trade agreements that do not require either the action of the Senate or the action of the Congress, because they are of a peculiarly executive character. And there is the line of distinction. \* \* \*

\* \* \* \* \*  
 • The mighty changes in our constitutional system which have taken place in the last half century have been effected principally in three ways.

"The first has been the perversion of Federal powers to destroy the reserved rights of the States. This has been largely accomplished through the taxing power and the power over commerce."

#### CONCLUSION

An extension of the law would be a perpetuation of what we believe to be a violation of the fundamental principles of our Government and to operate on a state of facts which will not come into being until reconstruction and peace.

The responsibility of departing from a constitutional form of government is at stake.

We, therefore, respectfully record our opposition to the proposed extension of the Trade Agreements Act of June 12, 1934.

WOOL HAT MANUFACTURERS ASSOCIATION OF AMERICA,  
 W. F. EVERTSEN, *Secretary.*

#### STATEMENT OF JOHN J. MARA, PRESIDENT, BOOT AND SHOE WORKERS UNION, BEFORE SENATE FINANCE COMMITTEE

The boot and shoe workers union, which is an affiliate of the American Federation of Labor, has a vital interest in the question of extending the reciprocal trade treaty program. Our membership is dependent for their livelihood upon employment in the boot and shoe factories of this country. Their employment has, in recent years, before the war been threatened from two sources, Czechoslovakia and Japan.

We have no objection to international trade since we recognize that no nation is self-sufficient. On the other hand, we know that our trade with other countries can be carried on without destroying our own industries and employment opportunities. Certainly, no one can say that the boot and shoe industry in this country is one of those industries that according to some theorists should be marked for elimination. It is a healthy industry that normally employs some 200,000 workers. It can hold its own and contribute its fair share to the maintenance of

our standards of living if it is not exposed to foreign competition resulting from low prices based on low wages.

We do not ask for duty rates amounting to an embargo. We have no desire to shut out foreign shoes. We want nothing more than an equal basis of competition. To this we believe ourselves entitled on any basis of fair national policy. We believe it to be unfair and inequitable to ask the American shoe industry to face cheap foreign competition so that some other industries such as the automobile industry, the typewriter, sewing machine, and agricultural implement industries may expand their sales abroad. Such a proposition may make sense to our theoretical economists but to us it appears vicious and unjustifiable.

Let us take a concrete example. An American manufacturer, let us assume, makes a shoe at a cost of \$4 per pair. A comparable pair of shoes is produced in foreign countries and delivered into our markets at a total cost of \$1.50. This is no overstatement, as can be proved and as anyone who knows the boot and shoe business and who is familiar with wages paid in foreign countries will testify.

Now, what we say is that it would be unfair to allow this foreign shoe to be laid down in the United States to a wholesaler, including all charges, at substantially less than \$4 per pair. The duty, in other words, should be high enough to place the foreign and domestic products on roughly an equal competitive basis. If that were done these foreign shoes could be sold in the United States but not at ruinous prices. The American producer might not sell as many pairs of shoes as he would if there were no foreign competition, but the shoes which he did sell would not have to be sold at ruinous prices. Wages would not be depressed. Trade all around would be maintained at a healthy level.

We repeat that we can see nothing but favoritism, based on we know not what, in any action that opens up or maintains ruinous foreign competition for one industry for the prosperity of another. We could find no justification for allowing the \$1.50 shoe to come into this country at a duty which would permit its sale in the domestic market at \$3 per pair while the comparable American-made shoe must be sold at \$4 or \$5 if fair and reasonable profits are to be realized. This is to say, we condemn as highly discriminatory a policy which contemplates the necessity of one industry selling its products below cost or without reasonable profit in order to meet foreign competition so that some other industry, favored for obscure reasons, may be enriched. Only a career economist, safely ensconced on the Federal pay roll and without practical sense could say that such juggling would lead to increased national prosperity and the brotherhood of man.

The Tariff Commission found in 1931 that Czechoslovakian McKay-sewed shoes were delivered in New York at costs 59 percent less than the costs of comparable shoes produced in the United States. The imports referred to covered 54 percent of the imports listed. Seventy-nine percent of the Czechoslovakian shoes imported cost an average of 43 percent less than the comparable American-made shoes.

It might be said that 1930 is a long time ago, but no one can believe that after the war we will not again face such competition. The shoe industry in Czechoslovakia is highly concentrated and mechanized. It is not a question of so-called inefficient hand labor against America's mass production.

The rate of duty was increased only 10 percent. That was insufficient but was much better than the treatment that can be meted out under the present trade treaty agreement system under which comparative costs are not even determined or considered.

A member of, in fact the vice chairman of the Tariff Commission, Mr. Edminister, has gone so far as to testify before the Ways and Means Committee that costs of production cannot be found. This attitude permits the negotiators of the trade treaties to select any likely product that they think they can use to pry an advantage out of the foreign delegation and sacrifice this product in behalf of some industry that can for some reason they want to help. They don't have to bother to find out whether the duty is already too low. If the foreign negotiators want a still lower rate so much the better. It makes a good bargaining point if they want it bad enough. So why not sell one industry down the river if you can help another one?

Afterward these people can come before your committee and say "we have increased the exports of plows and dried fruits and lard and automobiles."

If some member of your committee should say, "Yes, but you decreased employment in the boot and shoe industry, in the pottery and glassware industries," or in some other industries, proponents of the trade treaty policy can simply reply, "other factors were probably involved. No one knows what the comparative cost of production is. Anyway, we are fixing up international peace."

Like a great many other people, we are not opposed to reciprocal trade treaties as such. If differences in costs of production are recognized in arriving at duty adjustments we have no objection to them, provided that Senate ratification is required. We believe that the so-called trade agreements are treaties and that we should treat them as such, as do the other countries. We also believe that the American people are entitled, as a free and democratic people, to test legislation in the courts.

While the war lasts there are no important imports of foreign shoes, but the reciprocal trade legislation is essential for conditions of peace. Other methods of accommodating the needs for the movement of goods in wartime have been provided, such as lend-lease. The trade treaties are a very minor factor in this movement of goods. Export priorities, considerations of national needs in time of war, imports of scarce and critical items under artificial conditions--these have all but superseded the trade treaties for the time being. We are looking at the post-war situation. We know from past experience what we may expect by way of a flood of imports. We know also how our export shipments clogged up the docks in 1920 after the post-war boom broke.

If we are to learn anything from experience we should be prepared to stem the mad rush before it gets started. It will be doing the other countries no favor to lead them into a boom only to have another break-down.

If we proceed with the lowering of our duties the rates will be as low as possible under the law when the flood is loosed upon us. It will be very difficult on that occasion to call in the foreign delegations and obtain concessions by raising our tariffs. It will be very difficult, in fact, to avoid reprisals if we increase our tariff duties in order to stem the flood.

The supporters of the trade treaties are so highly apprehensive of reprisals or retaliation that in order to avoid them they would not dare raise a duty. How, in any case, could we raise our duties by means of trade agreements? Should we say to another country, "We will raise our duty only 10 percent if you will agree to limit yourselves to a 10-percent increase?" Or should we say "You raise your duty 50 percent and we will do likewise?" This would be a strange form of bargaining, indeed.

Clearly, the reciprocal trade treaty program, as administered today, is not the proper mechanism by which to meet a trade situation such as it is reasonable to expect that we shall face after the war. The delegated authority will either come back to Congress, disowned and dishonored, or it will be replaced by a much more rigid control under a new lease of life; for obviously we cannot meet the post-war situation with a bargaining instrument when bargaining will be in reverse.

The boot and shoe workers union is not opposed to international cooperation. We know, however, that such cooperation must rest on tenable ground or it will break down. We know that under-priced foreign-made shoes do not turn the wheels in our shoe factories and we know what will happen to cooperation if the wheels in our shoe factories and in the factories of scores of other industries do not turn.

It is for the reasons we have stated that we do believe it to be unsound policy to depart from the principle of the differences in costs of production and scientific tariff making in levying of tariff rates on the imports of competitive foreign-made products, whether such products be of the factory or of the farm.

We earnestly request that the pending legislation be further amended terminating all trade treaties at the cessation of hostilities.

Our organization contends that there has been too great a delegation of legislative power to the executive branch of the Government. Congress should resume its proper constitutional responsibilities without further delay.

