IMPORT QUOTAS LEGISLATION

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HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETIETH CONGRESS

FIRST SESSION

ON

PROPOSALS TO IMPOSE IMPORT QUOTAS ON OIL, STEEL, TEXTILES, MEAT, DAIRY PRODUCTS, AND OTHER COMMODITIES

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IMPORT QUOTAS LEGISLATION

FRIDAY, OCTOBER 20, 1967

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:08 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman), presiding.

Present: Senators Long, Anderson, Gore, Talmadge, Hartke, Harris, Williams, Bennett, Carlson, Curtis, and Dirksen.

The CHAIRMAN. The hearing will come to order.

This morning the committee concludes its hearings on the matter of import quotas on various commodities. In the first 2 days of hearings, we heard spokesmen from the oil, mink, dairy, and the lead and zinc mining industries. We also heard from officials of the President's Cabinet, and several Senators.

Today, we will hear from the textile industry, the steel industry, the meat industry, and the glass industry. These industries combined account for more than 3 million jobs in this country. All of them are suffering because of import competition and in every case the significant factors favoring the foreign products are low costs and low wages —wages so low that their advantage cannot be offset by superior American technology.

In the case of steel, rising foreign production—in many instances financed through foreign aid by U.S. taxpayers—has surpassed foreign needs with the result that steel from abroad is being sold in this country at prices which often fail to cover the cost of production. Steel imports have soared from 1 million tons in 1957 to nearly 11 million tons last year. During the same period American steel exports dropped from 5 million tons to 2 million tons and 25 percent of these exports are now aid-financed. It has been estimated that if the foreign steel sold in this country last year had been produced here, there would be 75,000 more jobs—high-paying jobs—in the steel industry than there is today.

Textiles, too, are suffering. Woolens are particularly hard hit, but cotton and manmade textiles are also suffering. Textile imports have risen to more than $1 billion annually, involving a loss of more than 100,000 American jobs—again, high-paying jobs—that might have been created if this volume of imported textiles had been produced domestically. As in the case of steel, during the period that textile imports have been climbing our textile exports have been falling. This

scissors grip is reflected in the continuing deficit in our international balance of payments which this year is expected to exceed $2 billion.

The United States has long been a leader in the worldwide effort to free international trade of the tariff barriers and other restrictions which various nations have erected to protect their own industries and their own interests. In the typically American way we have gone an extra mile to be fair. Unfortunately, we have failed to note and object to the many instances where foreign countries have acted to substitute nontariff restrictions for the cuts in tariffs which we wrestled out of them in reciprocal trade agreements. Some of these are subtle; others are obvious. They include export subsidies, border taxes, cartels in restraint of trade, dumping, import quotas, and a host of administrative practices and procedures which design to form a wall against imported products. These and the variable levy system imposed by the Common Market hinder American manufacturers and exporters who hope to do business in foreign lands. The hard fact of the matter is that despite tariff cuts, they have succeeded in keeping their American imports—our exports—to a minimum while at the same time maximizing their shipments to us.

This situation stems in part from the negotiating attitude this country assumed shortly after World War II of linking foreign trade policy with foreign aid policy. We had the national objective then of trying to help rebuild the devastated economies of free Europe and Asia. We have achieved that objective and now perhaps, we are suffering some of the economic consequences of our generosity.

Today, the very economies we helped the most are now jeopardizing American industry and American jobs.

I am convinced that if world markets were truly free—free in the sense that the U.S. market is free, Yankee traders could compete anywhere in the world. But, if other nations are going to impede the flow of American commerce into their markets they must not expect us to remain complacent and permit unlimited foreign pressure on our markets, our industries, and our jobs. There is a point at which America must act in the interest of Americans.

Our purpose in conducting this series of hearings is to determine if that point has been reached with respect to various commodities. If it has, then we in Congress have an obligation to respond to the needs of the indsutry involved. If we have not reached that point, we will have fulfilled our obligation by making the determination. We would be derelict in our responsibility if we failed to heed the signals from around our land that imports are hurting a number of American industries.

This morning we are privileged to have three of our distinguished colleague, the Senattor from North Carolina, Hon. Sam Ervin, the Senator from South Carolina, Hon. Ernest Hollings, the Senator from South Carolina, Hon. Strom Thurmond, and as far as I concerned, gentlemen, you can decide damong yourselves who will testify first.

(A bill, S. 1796, to impose quotas on the importation of certain textile articles, follows:)

TEXTILE IMPORTS*

90TH CONGRESS
1ST SESSION

S. 1796

IN THE SENATE OF THE UNITED STATES

MAY 17, 1967

Mr. HOLLINGS (for himself, Mr. BAKER, Mr. BENNETT, Mr. BIBLE, Mr BREWSTER, Mr. COTTON, Mr. CURTIS. Mr. DIRKSEN, Mr. EASTLAND, Mr. ERVIN, Mr. FANNIN, Mr. HANSEN, Mr. HILL, Mr. HRUSKA, Mr. JORDAN of North Carolina, Mr. McCLELLAN, Mr. MURPHY, Mr. PEARSON, Mrs. SMITH, Mr. SPARKMAN, Mr. SPONG, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. HOLLAND, Mr. RANDOLPH, Mr. BYRD of West Virginia, Mr. BOGGS, Mr. PELL, Mr. BROOKE, Mr. McINTYRE. Mr. KENNEDY of Massachusetts, Mr. MUNDT, Mr. McGEE, Mr. YOUNG of North Dakota, Mr. SYMINGTON, Mr. DOMINICK, Mr. TOWER. Mr. MUSKIE, Mr. MOSS, Mr. ALLOTT, Mr. BURDICK, Mr. CANNON, Mr. CARLSON, Mr. CHURCH, Mr. DODD, Mr. HARTKE, Mr. JORDAN of Idaho, Mr. LONG of Missouri, Mr. MORSE, Mr. MONTOYA, Mr. METCALF, Mr. ANDERSON, Mr. CLARK, Mr. HATFIELD, Mr. NELSON, Mr. RIBICOFF. Mr. CASE, Mr. KENNEDY of New York, Mr. YARBOROUGH, Mr. SCOTT, Mr. PROUTY, Mr. BAYH, Mr. MILLER, Mr. KUCHEL, Mr. McGOVERN, Mr. PASTORE, and Mr. JACKSON) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To impose quotas on the importation of certain textile articles.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the total quantity of textile articles (whether made of
4 natural or manmade fibers, or any combination or blends
5 thereof), including manmade staple fiber, filaments, and fila-
6 ment yarn, wool tops, and spun yarn, fabric, apparel, house-
7 hold furnishings, and other finished textile articles of natural
8 or manmade fibers or combinations or blends thereof, which
9 may be entered, or withdrawn from warehouse, for consump-

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★(Star Print)

*Witnesses testifying on this subject, pp. 532–679.
Communications received by the committee on this subject, pp. 680–704.

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1 tion during any calendar year shall not exceed the average
2 annual quantity of such articles entered, or withdrawn from
3 warehouse, for consumption during the six calendar years
4 1961–1966: *Provided*, That commencing with the calendar
5 year beginning January 1, 1968, the total quantity of textile
6 articles which may be entered or withdrawn from warehouse,
7 for consumption for each ensuing calendar year shall be in-
8 creased or decreased by an amount proportionate to the in-
9 crease or decrease (if more than 5 per centum) in the total
10 United States consumption of such textile articles during the
11 preceding calendar year in comparison with the average an-
12 nual consumption for the six-year period 1961–1966 as de-
13 termined by the Secretary of Commerce: *Provided further*,
14 That in the case of textile articles originating in any country
15 which has entered into an agreement with the United States
16 governing the amount of textile articles which may be im-
17 ported into the United States from such country, the Presi-
18 dent by proclamation may increase, decrease, or otherwise
19 limit the quantity of textile articles from such country which
20 may be entered, or withdrawn from warehouse, for consump-
21 tion in conformance with such agreement. Notwithstanding
22 the foregoing, the portion of any increase in the quantity of
23 any such textile article which may be entered, or withdrawn
24 from warehouse, for consumption during any quarter of the
25 calendar year shall not exceed the proportionate per centum

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1 share which the total quantity of imports of textile articles
2 accounted for during the like period of the calendar year
3 ended December 31, 1966. The quantities of any textile
4 article which may be entered, or withdrawn from warehouse,
5 for consumption during the balance of the calendar year in
6 which this Act becomes effective shall be equal to that pro-
7 portionate per centum share of the average annual imports
8 of such article for the years 1961–1966 which the number of
9 days remaining in the calendar year bears to the full year.
10 The Secretary of Commerce shall determine and allocate the
11 allowable quantities of textile articles which may be entered,
12 or withdrawn from warehouse, for consumption among sup-
13 plying countries by category of product on the basis of the
14 shares such countries supplied by category of product to the
15 United States market during a representative period, except
16 that due account may be given to special factors which have
17 affected or may affect the trade in any category of such
18 articles. The Secretary of Commerce shall certify such alloca-
19 tions to the Secretary of the Treasury. All determinations by
20 the President and the Secretary of Commerce under this
21 section shall be final. This section shall become effective
22 upon enactment of this Act.

STATEMENT OF HON. SAM J. ERVIN, JR., U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator ERVIN. Thank you, Mr. Chairman.

I am appearing here today in behalf of 323,000 North Carolinians who are engaged in the textile, apparel, and manmade fiber industry. This means, Mr. Chairman, that your hearings today directly concern 52 percent of the total number of manufacturing employees in the State of North Carolina. In addition to these industrial employees, your hearings also affect the thousands of families engaged in the growing and handling of cotton in my State.

The economic influence of the textile industry is certainly not confined to North Carolina for there are 4 million jobs throughout the United States representing the fiber-textile-apparel industries. The textile industrial complex is our Nation's second largest industry and its economic well-being is definitely important to each of us.

Mr. Chairman, my colleagues and I have been engaged for many years in a constant fight to achieve some measure of consideration for those engaged in this great industry. Unfortunately, there has been no solution to the problems posed by foreign imports. There has been, since 1961, an attempt made by our Government to control cotton textiles; however, in the last 2 years this program has become less and less effective. Under this program, cotton imports were permitted a growth of 5 percent per year whereas in actual practice, these imports expanded 53, 66, and 39 percent during the last 3 years. Of course, no import agreements have been concluded with respect to wool and synthetic fibers and their domestic situation has been rapidly deteriorating.

With each passing year, textile imports have flooded into this country in ever-increasing amounts while employment in the U.S. textile industry has continued to decline. It has become apparent that unless this Government does something to halt the flow of textile imports into this country, 4 million jobs will be in danger and great areas of hard-core unemployment will be created throughout our Nation.

For many years, I have been totally incapable of understanding our Government's attitude toward the textile industry. For example, one of the greatest problems this Nation is having to face is the deficit in our balance of payments. This deficit has persisted over the years and last year amounted to $1.4 billion. Because of our Government's policy toward textile imports, total textile products brought into this country last year exceeded exports by $902 million. This means the balance-of-payments deficit attributable to textile imports is approximately two-thirds of our total deficit, and yet we continue to allow these imports to flood our Nation, killing more and more of our jobs each year.

Mr. Chairman, from July 1966 to July 1967, there were 46,000 jobs lost in the textile industry in this country. Why do we let this continue to happen, Mr. Chairman, if by protecting our textile industry and the jobs it represents, we could help solve the deficit in our balance of payments and the growing storm that deficit represents to our Nation's fiscal health?

Also, in connection with the agricultural problems which confront this Nation, we are engaged in many farm programs trying to bring

the earning capacity of the farmers up to a parity with other workers in the cities. However, there has been a tendency on the part of those in charge of our trade policy to ignore the self-evident fact that the best customer which the cottongrower in the United States has is the domestic textile industry. On one side of the fence, we maintain rigid import quotas on cotton, while on the other side, we allow cotton in the form of manufactured articles to enter this country at a rate of over 1 million bales annually.

Another inconsistency can be found in our Government's dealings with the Appalachian region. On one hand, this Nation has been engaged in trying to give Appalachia equal basis with the rest of the country in its efforts to better itself. However, this Government's policy toward the textile industry places in jeopardy 26 percent of all the manufacturing jobs in that area.

In North Carolina most of our counties in the Appalachian region have over 50 percent of their total manufacturing employment working in textile manufacturing. In two North Carolina counties, Polk and Rutherford, 89 percent of all manufacturing jobs are in the textile industry.

Here, as in the case of the deficit in our balance of payments, and in the case of the relationship between our cottongrowers and our textile industry, we have a contradiction in terms. While the Government is attempting to lift the level of the economic state of the people in Appalachia, it is following a trade policy which has exactly the opposite effect, and which has a tendency to deprive the means of livelihood from those who work in the textile industry in Appalachia and immediately adjacent to Appalachia.

It seems to me the only sensible course for this Government to pursue is to take steps that will preserve the entire textile industry—cotton, synthetic, and wool. I feel that the obligation we owe to our own country has to be greater than we owe to the four or five nations that are currently supplying most of our textile imports. The fact is that these imports are not entering our country because the textile industry is more efficient elsewhere. They are entering this country for one reason: The labor costs are cheaper. And they are cheaper because of working conditions we would not allow in the United States.

For example, an American textile worker is paid five times as much as the Japanese performing exactly the same function. Hourly wage rates in other countries that are large exporters of textiles are: Singapore, 17 cents; Hong Kong, 29 cents; and Portugal, 19 cents. Mr. Chairman, our textile industry has tried to modernize to meet these challenges, but no efficient management could overcome these wage differentials.

The CHAIRMAN. Would you mind giving that wage comparison again? What does the average North Carolina worker make in textiles compared to what they are paying over in Japan and Singapore and Hong Kong?

Senator ERVIN. I would say the average North Carolinian makes at least 10 times as much as in Singapore and about eight times as much as in Hong Kong and about nine times what they pay in Portugal.

In addition to that, our taxes are much higher than the taxes in those countries.

Senator TALMADGE. Will the chairman yield at that point?

You also have health laws in North Carolina that they do not have in these other countries you mentioned.

Senator ERVIN. That is correct.

Senator TALMADGE. So, you have the wage and hour standards, your health laws, child labor laws, and many other restrictions in North Carolina that importing countries have not enacted.

Senator ERVIN. That is true and, of course, almost half of the net earnings of these textile industries are paid to the Federal Government in the form of income taxes.

I am certainly not a trade isolationist; however, we must encourage reasonable and workable international trade policies. We cannot allow the tragic consequences of a trade policy which could destroy a major American industry and millions of jobs only because a foreign country offers nothing more than low wages. The American textile industry deserves a chance to compete with its foreign rivals on equal terms and I believe we should act now to make it fair by setting up a system of import quotas on textile products. After the reduction on textile tariffs made by the Kennedy Round of tariff agreements, we are left little choice but to impose these import quotas.

In this regard, I was glad to join Senator Hollings when he introduced S. 1796, a bill to impose quotas on the importation of textiles. Briefly, this bill would limit the importation of textiles in any year to a base period level plus an adjustment to reflect increases or decreases in the consumption of textiles in the U.S. market. This would establish a reasonable volume for textile imports and would establish the machinery necessary for orderly growth in the future.

Additional executive studies are fine, Mr. Chairman, but I strongly hope we will enact S. 1796 as soon as possible. By not doing anything, until the ultimate injury has taken place and our textile industry has been liquidated and the loss of jobs has become permanent, this Government will be guilty of making the sick patient die in order to prove that he is suffering and needs help. I hope we will help the patient now.

I would like to add to my prepared statement. Those who advocate the importation of goods manufactured by cheap labor abroad usually are called upon—usually cite Cordell Hull as their patron saint. I was very much interested in this because Cordell Hull was a hardheaded Tennessee mountaineer. So, I have collected all of the speeches he ever made on the subject and some years ago I made a speech on the Senate floor in which I quoted from those speeches, and Cordell Hull would turn over in his grave at the trade policies that have been pursued in the United States in respect to the textile products in recent years. I say that advisedly, because as I pointed out in that speech, by quotation from Cordell Hull, he stated that the only satisfactory trade between nations in the long run was a trade which was based on the principle of reciprocity and that any trade based on the principle of reciprocity was a trade which was based upon what in essence is an exchange of surpluses. He said that the United States should make trade agreements with other nations under which we would export to other nations goods which we produced in surplus quantities and under which we would import from other nations goods which we either could not produce or could not produce effectively.

He pointed out in these speeches time after time, that any trade policy which encourages the importation into the United States of goods which we already produce in surplus quantities has three inevitable results. The first is that American investors are denied a fair return upon their investments. Second is that an American industry is denied its domestic markets, and the third is that American working men are deprived of their jobs.

Those who advocate imports at the expense of American domestic economy enjoy a very good press which pictures them as altruistic individuals actuated by righteous motives and those who believe in looking after Americans and preserving the economy of America are some kind of a reverse.

Well, now, the truth of it is that those who import from abroad and those who manufacture at home are actuated by what I think has made America great; namely, by incentives. The importer who seeks to import at the expense of the loss of American jobs on domestic markets of American manufacturers, he wants to sell cheaper imports at profits in the United States and, of course, the American manufacturer, the American worker desires to make something as a result of his efforts. So, the motives are the same and they are lofty motives despite the tendency today to decry the profit motive. It is what makes the country great. But the contrast between them, I think the man who manufactures at home and wants to see that he is allowed to retain his domestic markets and who furnishes jobs to Americans, certainly is performing as far as our country is concerned, the greatest service to our country.

I happen to believe that St. Paul spoke the truth when he said in the eighth verse of the fifth chapter of the first epistle to Timothy—

> But if any provide not for his own and especially for those of his own house, he hath denied the faith and is worse than an infidel.

So when it comes to trying to promote the prosperity of the textile industry and retain the jobes for 323,000 North Carolinians who earn their livelihood in that industry, I am going to stand on St. Paul and I think I am not only carrying out good sound economy as far as the United States is concerned, but I am using a high standard of righteous conduct in so doing.

The CHAIRMAN. You made a fine statement, Senator Irvin. Let me say although the textile industry is not one of the most significant industries to Louisiana, I personally expect to vote to see if we cannot do something to help the textile industry, because they are entitled to some protection.

What you say about Cordell Hull's statements I am certain is completely correct. Everything Cordell Hull said about foreign trade so far as I know, made good sense, but some of the things people advocate are absolutely ridiculous.

For example, as desirabe as it is to trade with someone who can produce something cheaper than you can produce it, you cannot afford to trade if you do not have anything to pay with. So, if you have an unfavorable balance of trade and an unfavorable flow of funds, then you have got to cut back on some of that trade. You just cannot keep it up. You either cut down on what you are importing or subsidize your exports.

You have to get more markets elsewhere and cut down what is coming in and you do not have near the control over what you are going to export to somebody as what they are going to export to you.

The easiest way is to restrict what they are shipping to you. Furthermore, I do not know of anybody in his right mind who would propose that just because someone has a lower wage cost and lower levels of wages we ought to trade off our $5 jobs for their 17-cent jobs or our $2 jobs for their 25-cent jobs. If you follow the whole theory of free flow of capital, so that capital can flow all over the world seeking cheap labor, and the export of American technical know-how, and complete free trade, it would appear to me that the ultimate answer to that could be nothing more than a simple global share-the-wealth program. I have on occasions favored that within this country but if you are going to put it on a worldwide basis and take us down to the standards of the Indians, the India Indians, and the Chinese and all these masses of people around the world, then I do not think I could be elected if I voted for something like that. I do not think I would be representing the people of Louisiana if I voted for that kind of program.

Senator ERVIN. You certainly would not be looking after those of your own house in the words of St. Paul.

The CHAIRMAN. Only yesterday someone said something about logrolling. You are a little bit older than I am, Senator Ervin, and you might be able to recall what the origin of that logrolling phrase is. Can you tell me where that logrolling came from? What is its derivation?

Senator ERVIN. My understanding is it originated in the early days of our country when people went out to the frontier and built homes and helped each other to build homes by cutting the logs and building the homes. It is as a cooperative enterprise to try to keep the roof over the head and I am trying to keep a roof over the heads of these people working in the textile industry.

The CHAIRMAN. My idea is that somebody cut a tree down and needs that log to build a house. He has to get it out of the way to form that piece of property, but it is too heavy to move by himself and some neighbors lend a hand and roll that log out of the way. Maybe they build a house or just clear a field, but in one way or another they are moving a log so they can do something useful with the property.

Now, my impression of logrolling, if that is what they have got in mind, is a very useful thing properly done, where a person on his own is not strong enough to achieve the desired results but if his neighbors will help him and he helps them, then all of them can get together and do something that is necessary and desirable.

In that sense, I do not see anything wrong with logrolling, do you?

Senator ERVIN. I think it was a very cooperative effort in the early days that had great benefits.

The CHAIRMAN. Well, my impression would be that I would be willing to help save the textile industry of North Carolina if North Carolina will help save the oil industry of Louisiana. [Laughter.]

Thank you very much.

Senator Anderson?

Senator Talmadge?

Senator TALMADGE. I want to compliment you on your statement and I endorse everything you have said.

Senator ERVIN. Thank you.

The CHAIRMAN. Senator Dirksen?
Senator DIRKSEN. No questions.
Senator HARRIS. No questions.
The CHAIRMAN. Thank you.
Senator ERVIN. Thank you.
The CHAIRMAN. Senator Hollings?
We are aware of the bill you have introduced. I do not know that I saw the last count of your cosponsors. I think you had 68 cosponsors.
(The bill referred to, S. 1796, appears at p. 529.)

STATEMENT OF HON. ERNEST F. HOLLINGS, U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator HOLLINGS. That is right, Mr. Chairman.

The CHAIRMAN. My guess is that with that many cosponsors we might find enough votes in the Senate to do something about that problem.

Senator HOLLINGS. If we can only get it to a vote. We have been ready since about June or July and we are prepared this morning. We are prepared on a case that has been presented to this Congress and been of concern to the Congress for over 10 years now. When they testify—I will just file my written statement because I want to get right to grips with this issue—and I have heard the testimony, or rather reviewed it, of the Secretary of State and Secretary of Commerce, they all talk of Cordell Hull, but there is another Secretary of State that does not take a very considerate view of the domestic problems as concern textiles. In fact, for 10 years, or 8 years to my knowledge, he has been opposing it.

I refer specifically to the Secretary's presentation here the day before yesterday, when he said: "We can no longer afford the luxury of indulging in sudden action," referring to this movement, referring to my concern with textiles, as "guerrilla war." Now, the fact of the matter is we started out some 8 years ago as a witness in a section 22 hearing in March of 1960. And this was one of the suggestions of Secretary Trowbridge. He said on Wednesday what we ought to do is exhaust our administrative remedy. He says—you have a guerrilla war going on; you do not even look to the administrative agencies and you want to pass a bill in gang fashion, logrolling and so forth.

Well, now, in March 1960, we testified and at that time we were assured by the administration that we were going to get some consideration for the plight of the textile industry. We lost that case in June of 1960. I then corresponded with then Senator John F. Kennedy, and I will make my exhibit 1—no use to review the entire letter, but I want to put that in the record—wherein we discussed the plight of this particular industry. And, Senator Kennedy, as a Senator from Massachusetts, a rather wordly man indeed, pointed out his concern for these American jobs.

(The letter referred to follows:)

EXHIBIT NO. 1

U.S. SENATE,
Washington, D.C., August 30, 1960.

HON. ERNEST HOLLINGS,
Governor of the State of South Carolina,
State Capitol Building, Columbia, S.C.

DEAR GOVERNOR HOLLINGS: I would, of course, be delighted to discuss with you and with textile industry leaders the problems of the textile industry and the

development of constructive methods for showing the growth and prosperity of the industry in the future. The critical import situation that confronts the textile industry which you so eloquently describe in your letter is one with which I am familiar. My own State of Massachusetts has suffered and is suffering from the same conditions. The past few years have been particularly difficult for this industry. There seems to have been a basic unwillingness to meet the problem and deal constructively with it. During the first six months of this year imports of cotton cloth are twice what they were during the same period in 1959, the highest year on record. Similarly alarming increases are occurring on other textile and apparel products. Since 1958 imports have exceeded exports by constantly increasing margins. There are now 400,000 less jobs in the industry than there were 10 years ago. It is no longer possible to depend upon makeshift policies and piecemeal remedies to solve the problems which the industry faces.

As you know, I supported the establishment of the Special Senate Subcommittee for the Textile Industry, under the chairmanship of Senator Pastore, of which Senator Strom Thurmond is a member. In an effort to help develop suggestions to improve the competitive position of the industry in the United States and world markets, this Subcommittee for the first time undertook a broad investigation of the problems of the United States textile industry and offered a number of constructive recommendations. With only minor exceptions, the Eisenhower Administration has failed to implement these recommendations.

I agree with the conclusions of the Pastore Committee that sweeping changes in our foreign trade policies are not necessary. Nevertheless, we must recognize that the textile and apparel industries are of international scope and are peculiarly susceptible to competitive pressure from imports. Clearly the problems of the industry will not disappear by neglect nor can we wait for large scale unemployment and shutdown of the industry to inspire us to action. A comprehensive industry-wide remedy is necessary.

The outline of such a remedy can be found in the Report of the Pastore Committee. Imports of textile products, including apparel, should be within limits which will not endanger our own existing textile capacity and employment, and which will permit growth of the industry in reasonable relationship to the expansion of our over-all economy.

We are pledged in the Democratic Platform to combat sub-standard wages abroad through the development of international fair labor standards. Effort along this line is of special importance to the United States textile industry.

The office of the Presidency carries with it the authority and influence to explore and work out solutions within the framework of our foreign trade policies for the problems peculiar to our textile and apparel industry. Because of the broad ramifications of any action and because of the necessity of approaching a solution in terms of total needs of the textile industry, this is a responsibility which only the President can adequately discharge. I can assure you that the next Democratic Administration will regard this as a high priority objective.

Additionally, we shall make vigorous use of the procedures provided by Congress such as Section 22 of the Agricultural Adjustment Act and the Escape Clause in accordance with the intention of Congress in enacting these laws.

Lastly, I assure you that should further authority be necessary to enable the President to carry out these objectives, I shall request such authorization from the Congress.

I hope that these thoughts are helpful to you in your own deliberations and I reaffirm my interest in discussing problems of mutual concern with you.

With all good wishes, I am

Sincerely yours,

JOHN F. KENNEDY.

Senator HOLLINGS. Thereafter, after the election, we got together at his Georgetown home and set out a program that would be launched immediately after his inauguration. On February 16, 1961, he announced the appointment of a Cabinet committee consisting of the Secretaries of State and Commerce, Treasury, Labor, and Agriculture.

We then had a subcommittee headed up by Mr. Hickman Price, the Under Secretary of Commerce. We brought the witnesses and we had hearings at that particular time. I will just file by reference—

no use, of course, to print this in your particular record, but I will file this two-volume set of the hearings we then had in March of 1960, on the same, very same problem that confronts you here this morning.

(The hearings records referred to were made a part of the official files of the committee.)

Senator HOLLINGS. It all culminated on May 2, 1961, with the Kennedy textile program, a seven-point program. I will file that with the committee as exhibit No. 2.

(The program referred to follows:)

THE WHITE HOUSE

The President today announced a program of assistance to the United States textile industry, designed to meet a wide range of the problems it faces as a result of rapid technological change, shifts in consumer preference, and increasing international competition. The program was developed by the Cabinet Committee, headed by Secretary of Commerce Luther H. Hodges, which was formed by the President on February 16, 1961.

In announcing the program, the President said:

"The problems of the textile industry are serious and deeprooted. They have been the subject of investigation at least as far back as 1935, when a Cabinet committee was appointed by President Roosevelt to investigate the conditions in this industry. Most recently these problems were the subject of a special study by the Interdepartmental Committee headed by Secretary of Commerce Luther H. Hodges. I believe it is time for action.

"It is our second largest employer. Some 2 million workers are directly affected by conditions in the industry. There are another 2 million persons employed in furnishing requirements of the industry at its present level of production. Two years ago, the Office of Defense Mobilization testified that it was one of the industries essential to our National security. It is of vital importance in peacetime and it has a direct effect upon our total economy. All the studies have shown that unemployment in textile mills strikes hardest at those communities suffering most from depressed conditions.

"I propose to initiate the following measures:

"First, I have directed the Department of Commerce to launch an expanded program of research, covering new products, processes and markets. This should be done in cooperation with both union and management groups.

"Second, I have asked the Treasury Department to review existing depreciation allowances on textile machinery. Revision of these allowances, together with adoption of the investment incentive credit proposals contained in my message to the Congress of April 20, 1961, should assist in the modernization of the industry.

"Third, I have directed the Small Business Association to assist the cotton textile industry to obtain the necessary financing for modernization of its equipment.

"Fourth, I have directed the Department of Agriculture to explore and make recommendations to eliminate or offset the cost to United States mills of the adverse differential in raw cotton costs between domestic and foreign textile producers.

"Fifth, I will shortly send to the Congress a proposal to permit industries seriously injured or threatened with serious injury as a result of increased imports to be eligible for assistance from the Federal Government.

"Sixth, I have directed the Department of State to arrange for calling an early conference of the principal textile exporting and importing countries. This conference will seek an international understanding which will provide a basis for trade that will avoid undue disruption of established industries.

"Seventh, in addition to this program, an application by the textile industry for action under existing statutes, such as the escape clause or the national security provision of the Trade Agreements Extension Act, will be carefully considered on its merits.

"I believe this program will assist our textile industry to meet its basic problems, while at the same time recognizing the national interest in expansion

of world trade and the successful development of less developed nations. It takes into account the dispersion of the industry, the range of its products, and its highly competitive character. It is my hope that these measures will strengthen the industry and expand consumption of its products without disrupting international trade and without disruption of the markets of any country."

Senator HOLLINGS. Now having gone all this route, appeared as a witness, we later appeared in the one-price cotton hearings before the Gathings committee, but having worked with President Kennedy and, having worked, for example, with others such as your distinguished Member here today, Senator Talmadge, who represented you in international trade as a member of your Finance Committee and who has worked as hard as anyone and who is as knowledgeable as anyone on this particular subject—having worked all that time, having been to the White House for administrative relief, been to the Tariff Commission, been to all the other administrative agencies, and with the extensive Pastore hearings—I will file also the distinguished Senator of Rhode Island's subcommittee's hearings by reference with this committee, hearings held in 1958, 1961, 1962, and 1963, Senator John Pastore of Rhode Island.

The hearings records referred to were made a part of the official files of the committee.)

Senator HOLLINGS. We look upon Senator Pastore in the U.S. Senate as our leader in textiles. He certainly has been heading up this movement for at least 10 years.

Now, after having done all that for the Secretary of State to come to this committee and say let us not have sudden actions, guerrilla action——

Senator TALMADGE. Would the Senator yield at that point?

Senator HOLLINGS. Yes, sir.

Senator TALMADGE. Would you say that the American State Department is badly in need of an American desk?

Senator HOLLINGS. Yes, sir. [Laughter.]

I think the American State Department very much needs an American desk, Senator, to be aware of it because when they talk about not indulging in sudden actions, here is what President Kennedy said on May 2, 1961: "I believe it is time for action." He referred to all of these hearings and the 10-year loss of some 400,000 jobs. In his words: "I believe it is time for action."

Now, with nothing done on woolens and manmade fibers, 8 years later comes the Secretary of State and says do not be too precipitous. Let us not have sudden action. I am not a bit surprised he opposes us. He opposed us as Secretary of State. George Ball, Under Secretary of State—was just like giving castor oil to a child. I know because I coordinated between the Cabinet members and I will be glad to give various examples. He resisted and said at that particular time it was too quick and too soon even though we were losing the jobs.

Senator Javits came yesterday and talked about a usurpation of congressional power. Well, article I, section 8 of the Constitution requires the Congress to regulate foreign commerce and article II, section 2, gives us the treatymaking power, or gives the Executive the treatymaking power with the approval of two-thirds of the Senators present.

I consider this matter of foreign trade a primary function of the U.S. Senate. Certainly, the Senate did for at least 150 years, because it was by treaty that we negotiated our trade arrangements.

Now, they also talk about the logrolling and the gang-up, Mr. Chairman. Quite frankly, I have been in a legislature for 10 years and I know how to give and take, but I also know how to be "took," and this presentation by the Cabinet members is to becloud the entire merit of the textile case. We resent it, quite frankly, because our case rests on the merits of 8 years' study and it is no longer a local problem. This is not just a South Carolina problem with textiles. We have 68 cosponsors and 10 others have indicated to me their willingness to vote for this particular measure. It represents the southern conservative, northern liberal, eastern businessman's viewpoint and the western cattle farmer and sheep herders problem. This is a national problem, from California to Florida on up to Maine, and with these type cosponsors you could not say we are coming in here like some measures do from time to time, with just a little special interest. Logrolling is, of course, when you get your end of the log and move it, and I get mine and move it, together we move the log, and by ourselves we move nothing.

We did not hear about any of the other commodities during all these hearings for the last 8 years and we still rest our case on its own merits.

In 1958 the Department of Defense testified in the Pastore hearings that textiles were second only to steel in essentiality to our national security. In 1959 the OCDM, now the Office of Emergency Planning, as it was then the Office of Civil Defense Mobilization, found in a hearing that textiles were essential to the national security and later President Kennedy had this to say:

> Two years ago the Office of Defense Mobilization testified it was one of the industries essential to our national security. It is of vital importance in peacetime and it has a direct effect upon our total economy.

Now, this is President's Kennedy's program. This is President Kennedy's program. How can they come now and try to refer to it as against the national policy—let me refer specifically again to Secretary Rusk's testimony here:

> Your committee now has before it the proposal which if adopted, would not only destroy the advance made in the Kennedy Round, but reverse a longstanding national policy.

Later on, trying to allude again to one of the greatest of all Americans of all times—

> Economically it would destroy the great initiative—

He said that on page 13 of his prepared statement—

> economically it would destroy the great initiative of John F. Kennedy. * * *

That is what I am speaking about. This is the Kennedy program we have here in the proposed legislation.

Now, let me say just this. This is also President Johnson's program. I want to find out, and, the people here in this audience, the working man with the textile industry want to find out: What is the national policy with respect to this industry? I will cover that in just a minute.

Let me make certain we file in the record the endorsement of this particular program by then Vice President Johnson and later as President. I will submit only the statement he made as President, on September 28, 1964, at Providence, R.I., and I will file with you the entire statement, but he says:

> We intend to continue keeping imports from disrupting the market.

He is talking to a textile audience there. He says:

> I share with our late beloved President Kennedy the view that wool textiles and apparel imports must be kept at reasonable levels.

I quote further:

> I consider it essential that the wool textile industry be restored to good health.

That is what President Johnson said in Providence, R.I.

The following month in Macon, Ga., he said this:

> I am convinced that our program for textiles is in the best interests of all Americans. I intend to pursue it to a successful conclusion.

(The statement referred to follows:)

STATEMENT ON TEXTILES BY THE PRESIDENT OF THE UNITED STATES, SEPTEMBER 28, 1964

I know the significant role that textiles have played in economic life of New England, and I know of the difficulties this industry has encountered during the past few years. Fortunately, New England could have no better spokesmen in Washington than Senators Muskie and Pastore. (They have) been untiring in bringing home to all of us the very real problem faced by New England textiles. I can assure you that there is no major official in this Administration who has not been made fully aware of the hardships created every time a mill is shut down or forced to operate on part time. We have worked hard at this problem and we will continue to do so.

President Kennedy, as a son of New England, knew these problems well. In May 1961, as you recall, he instituted a seven-point program for the textile industry. Under that program Government-sponsored research for the industry has been launched. We have provided accelerated tax amortization for the textile industry even ahead of similar benefits for other industries. This year I signed legislation that is greatly helping our cotton mills by permitting them to buy cotton at world prices for the first time since 1956.

Among our textile problems has, of course, been the increase of imports. This Administration has worked out a solution for the import problems of the cotton textile industry. It developed a long-term cotton textile arrangement. Under the administration of this arrangement, cotton textile imports have been stabilized—and we intend to continue keeping imports from disrupting the market.

All of these measures have contributed to restoring the prosperity of the textile industry which, as a whole, can look forward to greater prosperity in the future.

I say with a great deal of pride that this Administration has done more for the textile industry than any Administration in history—and our efforts have not been confined merely to cotton textiles. We have stemmed the tide of foreign wool fabrics coming through the Virgin Islands by Administrative action. This alone reduced imports 10 million square yards a year. We have closed tariff loopholes which permitted some woolen textiles to enter after paying only half the duty they should pay. The Senate Finance Committee has just approved legislation which would close another loophole affecting tariffs on certain types of wool products. We strongly support this legislation.

But the wool textile industry continues to be faced with problems, particularly in New England. In the past ten years imports have soared *from less than 5% to 20% of American consumption, with particular concentration in worsteds.*

The Administration has made and will continue to make vigorous efforts to solve this problem. *I share with our late beloved President Kennedy the view that wool textile and apparel imports must be kept at reasonable levels.* We have been

trying to work out effective arrangements with other wool textile producing countries. Two missions have been sent abroad for this purpose in recent months. Thus far, a multi-nation meeting has not been convened. But we intend to continue our efforts vigorously. I can assure you that we shall work hard at this problem. *I consider it essential that the wool textile industry be restored to good health.*

Senator HOLLINGS. He endorses the Kennedy program. And then, they come up here and say now we are going to disrupt national policy. What is the national policy? The President spoke about it in no uncertain terms.

They also say go to the Tariff Commission. Now, let me say a word about that crowd because there is no education, Mr. Chairman, in the second kick of a mule. We have been before that Tariff Commission many times before but significantly you have also, Mr. Chairman—your Finance Committee went before that Tariff Commission, when all the concern was manifested in the Congress back in the 84th Congress. The Finance Committee adopted Senate Resolution 236 and we will file that as exhibit No. 6.

(The resolution referred to follows:)

[S. Res. 236, 84th Cong., 2d sess.]

RESOLUTION

Whereas substantial reductions have been made in tariff rates on textile products in various trade agreements with foreign countries; and

Whereas the value of imports of cotton manufacturers in January 1956 was 14 per centum higher than in December 1955 and the value of imports of cotton cloth in January 1956 was 46 per centum higher than in December 1955; and

Whereas more than one million persons are employed directly in the textile industry of the United States; and

Whereas in many sections of the Nation the entitre economy of a community is tied directly to the healthy operation of the textile industry; and

Whereas the textile industry of the United States is a vital part of our national defense; and

Whereas the United States Senate in Senate Resolution 121, Eighty-fourth Congress, directed the United States Tariff Commission to keep currently informed regarding the impact of imports of textiles and textile products on the domestic industry producing like or directly competitive products in order to be prepared to act promptly on such investgiations as may be requested by the President, or directed by resolution of either House of Congress, the Committee on Finance of the Senate, or to the Committee on Ways and Means of the House of Representatives, or applied for by any interested party, under section 7 of the Trade Agreement Extension Act of 1951, as amended, to determine whether any product upon which a concession has been granted in a trade agreement is, as a result in whole or in part of the concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products; and

Whereas the Senate is gravely concerned over the acute distress existing in segments of the domestic textile industry and the greatly increasing importations of foreign textiles and textile products, and recognizes, with equally great concern, that the impact of imports of foreign articles may be causing or threatening serious injury to domestic producers of textiles and other products: Now therefore, be it

Resolved, That in the light of the acute distress existing in segments of the domestic textile industry, it is the sense of the Senate that the President should give immediate consideration to the impact of imports of textiles and textile products on such industry, with a view to determining whether the authority granted to him under section 22 of the Agricutlural Adjustment Act, as amended, section 204 of the Agricultural Act of 1956, the Trade Agreements Extension Act

of 1951, as amended, section 350 of the Tariff Act of 1930, as amended, or other law, should be exercised with respect to imports of any textiles or textile products.

Resolved further, That the United States Tariff Commission is directed to expedite and, wherever practicable, to give priority to, investigations now pending, or which may hereafter be instituted, under section 7 of the Trade Agreements Extension Act of 1951, as amended (escape clause investigations), relating to textiles or textile products or any other articles or products.

Amend the title so as to read: "A resolution urging immediate consideration of the impact of imports of textiles and other products upon the domestic market and directing the Tariff Commission to expedite escape clause investigations and to give them priorty wherever practicable."

Senator HOLLINGS. It could be read at length. I want to cut short the time. It calls on the Tariff Commission to make a complete study of the textile industry, a complete study of textiles and textile products. Then Senator Kennedy was a coauthor, as were Senator Pastore, Senator Aiken, and others of Senate Resolution 236, back in 1956.

Do you know what the Tariff Commission said there? "We cannot do it." That was their response to your committee.

I want to file as exhibit No. 7 their report back to your committee and their statement without all the tables I have with it.

(The report referred to follows:)

U.S. TARIFF COMMISSION, WASHINGTON

MEMORANDUM FOR THE SENATE COMMITTEE ON FINANCE ON SENATE RESOLUTION 236 84TH CONGRESS

S. Res. 236 would direct the Tariff Commission to make "an immediate investigation pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended, to determine whether any textile or textile products are being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products".

The Commission has given consideration to the problems with which it would be confronted in attempting to comply with such a directive. The Commission believes that the proposed resolution would impose upon it a task of such magnitude that the Commission could not complete any substantial part of it within the time limitation of 9 months prescribed by section 7 of the 1951 Extension Act, as amended. The Commission also believes that the task involved would impair its ability to discharge effectively its statutory responsibilities with respect to other matters, and that the objectives sought in the proposed resolution can better be achieved in other ways.

Provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended

Virtually all of the foreign trade agreements concluded by the President under the authority of section 350, Tariff Act of 1930, as amended and extended, contain an "escape clause" which permits him to modify or withdraw tariff concessions in such trade agreements under conditions which are set forth in section 7 of the Trade Agreements Extension Act of 1951, as amended. Section 7, as amended, prescribes the procedure for investigations by the Tariff Commission—

"* * * to determine whether any product upon which a concession has been granted under a trade agreement is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products."

The recitals in the resolution make reference to the "textile industry" of the United States. It must be borne in mind, however, that within the contemplation of section 7 of the Trade Agreements Extension Act of 1951, as amended, the domestic producers of products like or directly competitive with imported "textile or textile products" comprise not a single "textile industry" but numerous

industries.[1] Even in the usual escape-clause investigation where a single class of imported goods is involved, the determination as to which domestic producing organizations are involved and which portion or subdivision of these organizations constitutes the "domestic industry" producing products "like or directly competitive" with the particular imports is often a matter of considerable complexity. This complexity would be multiplied many times if the Commission were required to investigate literally hundreds of closely related tariff classes describing imported "textile or textile products" and to identify each commercially significant imported article, the like or directly competitive domestic article, and the portion or subdivision of the domestic producing organizations which constitutes the "domestic industry" involved. Some idea of the complexity and size of the task that would be involved in complying with S. Res. 236 may be obtained by referring to the table in Appendix A of this report. This table shows the principal categories of textiles and textile products provided for in schedules 9, 10, 11, 12, 13 and paragraphs 783 and 1529 of the Tariff Act of 1930. These provisions are often referred to as textile provisions of the tariff act.

To illustrate some of the aforementioned problems, attention is directed to countable cotton cloths which are dutiable under paragraphs 903, 904 and 905 of the tariff act, as modified, on the basis of average yarn number and according to whether the cloth is unbleached, bleached or printed, dyed or colored; whether the cloth contains a woven figure and, if so, whether woven with fewer or more than 8 harnesses, etc., and with 2 or more colors or kinds of filling; and whether the cloth contains silk or rayon. Determination of the number of different import categories and the number of domestic industries producing articles that are "like or directly competitive" with those import categories, which the Commission would be obliged to investigate under the proposed resolution, would be difficult. In the over-all, treatment of all such cotton cloths would be the equivalent of many separate escape-clause investigations as such investigations have been conducted in the past.

The detailed information required in escape-clause investigations

The magnitude of the task that the proposed resolution would require the Commission to undertake is further indicated by the nature of the investigation which is contemplated by section 7 of the Trade Agreements Extension Act of 1951, as amended. Subsection (b) of section 7 provides that in arriving at its determination the Commission shall take into consideration, but not to the exclusion of other matters, the trends of production, employment, prices, profits, wages, sales, imports, and inventories of the domestic industries concerned.[2] It is clear in the light of this directive and of the provisions of section 7 previously referred to that the investigation called for by S. Res. 236 would, in effect, break down into a multitude of separate "investigations" in each of which the Commission would have to have detailed information on the operations of domestic establishments with respect to the production of narrow classifications of products.

Under section 7, as amended, the Commission is obliged to publish its escape-clause reports immediately upon their completion. Whether or not the Commission finds the existence of serious injury or the threat thereof, the interested parties are entitled to a detailed report of the principal considerations upon which the Commission predicated its findings.

The Commission, under section 7, submits to the President those of its reports in which the invocation of the escape clause is recommended. Despite the detailed treatment given to the facts in these reports, the President has in several instances referred such reports back to the Commission for the development of further information which he believed to be necessary to his decision. If, in a given case,

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[1] Section 7(e) of the 1951 Extension Act, as amended, provides as follows:

As used in this Act, the terms "domestic industry producing like or directly competitive products" and "domestic industry producing like or directly competitive articles" mean that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive products or articles in commercial quantities. In applying the preceding sentence, the Commission shall (so far as practicable) distinguish or separate the operations of the producing organizations involving the like or directly competitive products or articles referred to in such sentence from the operations of such organizations involving other products or articles.

[2] The comprehensive nature of an escape-clause investigation is illustrated by questionnaires sent by the Commission to domestic producers, importers, and others. Attached in Appendix B is a set of such questionnaires which were formulated by the Commission to obtain data in the current escape-clause investigation of cotton blouses. Preliminary indications are that the blouse questionnaires will be sent to approximately 200 manufacturers and jobbers, to 200 contractors and to 20 importers.

the President decides to invoke the escape clause of a trade agreement, the officials of this Government concerned with the trade-agreements program undoubtedly use the Tariff Commission's reports in support of this country's representations to the other interested governments that a United States industry is in fact being seriously injured or threatened with such injury.

In the light of these considerations, the Commission believes that section 7 contemplates complete and detailed investigations and reports. The Commission doubts, therefore, that your Committee or the Senate would wish to impose upon the Commission a task of the magnitude contemplated by S. Res. 236.

Other considerations posed by S. Res. 236

In proceeding with investigations such as are contemplated by the proposed resolution, the Commission would be obliged to give attention to the following considerations: (a) the identification of the provisions in the tariff schedules under which "textile or textile products" are classified for tariff purposes; (b) the identification and elimination of such of these provisions as to which no tariff concessions are in effect under foreign trade agreements; and (c) the effect of the current trade-agreement negotiations now nearing completion at Geneva, Switzerland, which involve many "textile or textile products".

The scope of the investigation provided for in the proposed resolution is determined primarily by the meaning which attaches to the term "textile or textile products" used therein. Precise meaning for this term cannot be found in administrative or judicial tariff rulings. Nevertheless, there can be little doubt that the term is extremely broad, and would embrace an indeterminate number of imported articles classified for tariff purposes in numerous provisions of the schedules in the Tariff Act of 1930, as amended and modified. As previously suggested virtually all the articles described in schedules 9, 10, 11, 12 and 13 (the so-called textile schedules) of the tariff act, as amended, are included. In addition, a large number of articles described in certain of the provisions of schedules 2, 3, 7, and 15 of the dutiable list and of schedule 16 (free list) are included.

As previously indicated, section 7 of the 1951 Extension Act, as amended, prescribes the procedure of determining whether the "escape clause" of a trade agreement should be invoked by the President for the purpose of withdrawing or modifying a tariff concession included in such agreement. Therefore, the "investigation" contemplated by the proposed resolution would not include "textile or textile products" which are not the subject of trade-agreement concessions. However, as it appears that there are relatively few "textile or textile products" which are not subject to such concessions, this limitation would not appreciably reduce the number of articles covered by the proposed resolution.

As indicated above, there is one further consideration related to the scope of the investigation, viz., the current trade-agreement negotiations at Geneva, Switzerland. The President's list of September 21, 1955, as supplemented, of articles to be considered for the offering of concessions in the then proposed trade-agreement negotiations included many textiles and textile products. In accordance with section 3 of the Trade Agreements Extension Act of 1951, as amended, the Commission conducted a peril-point investigation with respect to each of the listed articles. The Commission's public notice of the institution of this investigation indicated that a "peril-point" determination involved consideration not only of the extent to which duties may be decreased without causing or threatening serious injury to domestic industries concerned, but also, if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive articles, of "the minimum increase in duties or additional import restrictions required."

In connection with the peril-point investigation, public hearings were held at which interested parties were given reasonable opportunity to appear and to be heard. In addition, opportunity was given for the submission of written statements pertinent to the subject matter of the investigation. The Commission made its peril-point determinations with respect to the textiles and textile products included in the list on the basis of the information obtained in the investigation. The report on the investigation, including the peril-point determinations with respect to textiles and textile products, was duly transmitted to the President for his use in the trade-agreement negotiations now being concluded at Geneva as contemplated by section 3 of the 1951 Extension Act.

Several times in the past few months, following the submission of the peril-point report to the President, the Commission has been called upon to consider the question as to whether an escape-clause investigation under section 7 should be

instituted, upon application of an interested party, with respect to an article included in the peril-point report. In these instances, the Commission expressed the view that it did not believe the Congress intended that section 7 investigations should be undertaken at a time when to do so would embarrass the President and interfere with or possibly frustrate his trade-agreement negotiations. The Commission, however, furnished copies of the requests for escape-clause relief to the Committee for Reciprocity Information for the consideration of the Interdepartmental Committee on Trade Agreements, the President's advisory body with respect to trade-agreement matters.

The Commission believes, therefore, that it would be premature to institute an escape-clause investigation at this time with respect to any "extile or textile products" covered by the peril-point report submitted to the President by the Commission. The Geneva negotiations are now nearing completion and the results thereof should be announced by the President within a short time.

Even if the "textile or textile products" involved in the current Geneva negotiations were excluded from the escape-clause proceedings proposed by S. Res. 236, a great many "textile or textile products" would still have to be investigated, and the Commission would be obliged to assume under the proposed resolution a task equivalent to not less than a few hundred escape-clause proceedings of the type so far undertaken by the Commission.

The Tariff Commission's investigative facilities

The Commission is not unmindful of the fact that Senate Resolution 121, 84th Congress, agreed to July 18, 1955, and referred to in one of the recitals of the proposed resolution, directs the Tariff Commission to keep itself currently informed regarding the impact of imports of textiles and textile products on domestic industry and to be prepared to act promptly on such investigations as it may be called upon to make under section 7 of the 1951 Extension Act, as amended.

In pursuance of this directive, the Commission is doing all that it possibly can to keep up to date on developments in the import trade in textiles and textile products and on developments in the domestic textile and textile products industries. The staff of the Commission's textile division, however, consists of 9 commodity experts and 4 clerical workers. In assembling and analyzing commodity and industry information the Commission's textile division, like its other commodity divisions, receives cooperation from the economic and statistical divisions of the Commission's staff. The total work of the Commission's staff, however, is such as to permit the assignment from time to time of only a few people from other divisions to work on textiles and textile products.

With the personnel that could be assigned to the work on textiles and textile products, the Commission could not hope, in pursuance of S. Res. 121, 84th Congress, to have on hand at all times even a substantial part of such information with respect to every category of imports and of the like or directly competitive domestic articles, as would enable the Commission to proceed immediately, *without further investigation*, to make the findings called for in section 7 proceedings. The Commission does not consider that S. Res. 121 contemplates such an extreme expansion of its work in the field of textiles and textile products as would permit immediate conclusion of section 7 proceedings with respect to textiles and textile products. Such an expansion would have required a staff working on textiles and textile products many times the number that the Commission has ever had engaged in work in this field.

The first application for an escape-clause investigation was received by the Commission in 1948. A total of 70 escape-clause applications have been received to date. Fifty-seven investigations have been completed, 7 have been dismissed or terminated, and 6 are now in progress.

The aforementioned investigations have covered such a wide range of articles that virtually all of the Commission's professional staff has had occasion to work on one or more of them. Under the proposed resolution, the Commission would be obliged to initiate at one time the equivalent of many more escape-clause investigations than it has conducted over the past 8 years; and, since the proposed new comprehensive investigation would be exclusively in the textile field, only a small part of the Commission's staff would be technically equipped to work on such an investigation.

In the circumstances, the Commission—even if it had no other duties to perform—could not make any reasonable progress in processing the equivalent of a few hundred additional escape-clause investigations on textile items within the time limitation of 9 months prescribed by section 7 of the 1951 Extension Act, as amended. At present, the Commission does, of course, have other duties

to perform and these include the completion of escape-clause investigations on 4 textile items—linen toweling, velveteen fabrics, cotton blouses, and cotton pillowcases. The conduct of these investigations is itself utilizing to a great degree the facilities that the Commission has for conducting simultaneous investigations in the textiles field. There are also indications that other "industries" in the textiles field are planning to file applications with the Commission for escape-clause investigations. Any requirement that the Commission now investigate "textiles or textile products" generally would interfere with the expeditious completion of such cases.

It is doubtful that the Congress, in providing for escape-clause investigations by the Tariff Commission under section 7 ever contemplated that the Commission would be called upon to conduct simultaneous investigations on a wholesale scale, particularly in a single field such as textiles. No budgetary provision has ever been made or contemplated for such activity. With only one exception, all escape-clause investigations thus far made by the Commission have been initiated by private applicants whose interests were confined to a single item or a narrow group of items. The Senate Finance Committee directed the Commission to institute an escape-clause investigation on fluorspar. Since this request was limited to one product, the Commission's facilities were not overtaxed in responding to the directive.

Nature and scope of Japanese competition

Although the proposed Senate resolution does not single out for special inquiry any particular import item and does not allude to any particular supplying country, the resolution does refer to the recent increase in United States imports of cotton manufactures—and Japan is known to account for most of the increase in such imports. In this connection, it is clear that increased imports, particularly from Japan, are a matter of great concern to some segments of the domestic textile industry. Among the imports which have increased greatly are velveteen fabrics, cotton blouses and cotton pillowcases, in connection with which the Tariff Commission, as previously indicated, is now conducting investigations under section 7 upon application of the domestic industries involved. It should be noted, however, that an exceedingly small part of the domestic consumption of cotton manufactures is supplied by imports and that Japan accounts for only a part of such imports.[3]

Despite the widespread concern that has developed about imports of textiles from Japan, it appears that such imports are not offering serious competition to most segments of the domestic textile industry. The fact that some such segments are in a relatively strong position vis-a-vis import competition is indicated by the substantial export trade of the United States in textile products. The United States exports cotton manufactures to a far greater extent than it imports them; and the exports go principally to countries—such as Canada, Venezuela, the Union of South Africa, Indonesia, and the Dominican Republic—in which articles from the United States enjoy no preferential tariff treatment over those imported from other countries, including Japan. The United States exports some cotton manufactures even to Japan.[4] It is significant that while the United States' largest foreign market for cotton manufacturers, Canada, increased its purchases of cotton manufactures from Japan from almost 1 million dollars in 1954 to 4.6 million in 1955, it also increased its purchases from the United States in the same period from 56.1 million dollars to 61.4 million. In terms of percentage, Canada's increase in imports was larger from Japan than from the United States, but, in absolute terms, the increase from the United States was larger than that from Japan.

While it is true that the ratio of United States imports to its exports of cotton manufactures has risen during recent years—notably since 1954—that ratio is still very much lower than it was in the years immediately preceding World War II. For example, the ratio was 51 percent in 1955 compared with 95 percent in 1937. Moreover, the value of the United States exports of cotton manufactures was more than four times as large in 1955 as in 1937; and even after making due allowance for the price rise between 1937 and 1955, it is apparent that United States exports were substantially higher in 1955 than in 1937.

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[3] The raw cotton content of those imports from Japan in 1955, for example, was equivalent to only about one-fifth of the raw cotton that the United States shipped to Japan in that year.

[4] They were valued at $353,000 in 1954 and $281,000 in 1955.

The table in Appendix A attached to this report indicates that many categories of imports of textiles and textile products are not supplying significant proportions of the domestic market for such products. The information given in the table as regards exports of some textile products also suggests that the competitive position of many segments of the domestic textile industry vis-a-vis foreign producers is relatively strong. What is said here is of course not intended to minimize the impact of increased import competition on some segments of the domestc textile industry but only to call attention to the fact that such pressure is by no means general.

From the foregoing observations, it is clear that textile manufacturers in Japan do not have an "across-the-board" competitive advantage over the textile manufacturers in the United States. Such injury as may be caused or threatened by increased imports of textiles or textile manufactures from Japan—or from any other country—is bound to be confined to a limited number of categories, most of which, experience has shown, will be narrow. Investigations of such instances of injury are, in the Commission's opinion, best conducted on a selective basis as circumstances warrant. For such investigations, the Commission feels that it has reasonably adequate facilities.

The Commission believes that its facilities can be most efficiently and effectively employed if escape-clause investigations continue generally to be made on particular articles in response to appropriate applications. The Commission will continue to cooperate with those who wish to file escape-clause applications by supplying advice and available data which will be of assistance to them in preparing such applications.

Senator HOLLINGS. I will quote from it:

The Commission believes that the proposed resolution would impose upon it a task of such magnitude that the Commission could not complete any substantial part of it within the time limitation of nine months prescribed by Section 7 of the 1951 Extension Act as amended. The Commission also believes that the task involved would impair its ability to discharge effectively its statutory responsibilities with respect to other matters and that the objectives sought in the proposed resolution can better be achieved in other ways.

Now comes the administration trying to sell us the idea of a Tariff Commission study in 2½ to 3 months when the Tariff Commission itself says they could not even complete any substantial part of one in 9 months and that is what they have told your committee. So, we are convinced that the approach here of the Finance Committee is a sound one because the Tariff Commission, if that is what we want to use as an authority, and everybody is going to be using that come January and I want to beat them to the gun, everybody is going to be quoting the Tariff Commission because they are not going to find any injury. They did not find any before, and they won't find any now.

President Kennedy rejected their callousness toward the textile industry. I know this very, very positively.

I will be glad to be cross-examined on this particular point. Very few people ever realized that the State Department had injected into the Kennedy seven-point program a request of the Tariff Commission to make investigations under section 7 of the Trade Agreements Act.

I am filing with your committee as exhibit 8 the Kennedy program that was never submitted. It is dated April 26, 1961.

(The above-referred to follows:)

THE WHITE HOUSE

The President today announced a program of assistance to the United States textile industry, designed to meet a wide range of the problems it faces as a result of rapid technological change, shifts in consumer preference, and increasing

competition. The program was developed by the Cabinet Committee, headed by Secretary of Commerce Luther H. Hodges, which was formed by the President on February 16, 1961.

In announcing the program, the President said:

"The problems of the textile industry are serious and deep-rooted. They have been the subject of investigation at least as far back as 1935, when a Cabinet committee was appointed by President Roosevelt to investigate the conditions in this industry. I believe it is time for action.

"It is our third largest employer. Some 2 million workers are directly affected by conditions in the industry. There are another 2 million persons employed in furnishing requirements of the industry at its present level of production. All the studies have shown that unemployment in textile mills strikes hardest at those communities suffering most from depressed conditions.

"I propose to initiate the following measures:

"First, I have directed the Department of Commerce to launch an expanded program of research, covering new products, processes and markets.

"Second, I have asked the Treasury Department to review existing depreciation allowances on textile machinery. Revision of these allowances, together with adoption of the investment incentive credit proposals contained in my message to the Congress of April 20, 1961, should assist in the modernization of the industry.

"Third, I have directed the Small Business Administration to assist the cotton textile industry to obtain the necessary financing for modernization of its equipment.

"Fourth, I have directed the Department of Agriculture to explore and make recommendations to eliminate or offset the cost to United States mills of the adverse differential in raw cotton costs between domestic and foreign textile producers.

"Fifth, I will shortly send to the Congress a proposal to amend the Area Redevelopment Act to permit industries seriously injured or threatened with serious injury as a result of increased imports to be eligible for benefits under the Act.

"Sixth, I am requesting the Tariff Commission to make an investigation under Section 7 of the Trade Agreements Extension Act to determine whether serious injury to the textile industry is caused or threatened by increased imports of the following products: handkerchiefs, blouses and blouse sets, trousers and shorts, cotton sheeting, table damask, gingham, velveteen, brassieres, wool sweaters, wool rugs and carpets.

"Seventh, I have directed the Department of State to call an early conference of the principal textile exporting and importing countries. This conference will seek an international understanding among all major consuming countries which will provide a basis for trade that will avoid undue disruption of established industries.

"I believe this program will assist our textile industry to meet its basic problems, while at the same time recognizing the national interest in expansion of world trade and the successful development of less developed nations. It takes into account the dispersion of the industry, the range of its products, and its highly competitive character. It is my hope that these measures will strengthen the industry and expand consumption of its products without disrupting international trade and without disruption of the markets of any country.

"In addition to this program, the textile industry, of course, is free to apply for action under existing statutes, such as the escape clause or the national security provision of the Trade Agreements Extension Act, and any application made will be carefully considered on its merits."

Senator HOLLINGS. It was given to me by the President to review at that particular time. We saw immediately what we called a "sleeper" in it. It is paragraph 6 and I discussed it with the President, with Mr. Myer Feldman of the White House at that particular time and they said, we agree—we are going to reject that. We do not want to go that dark alley again.

The point is, gentlemen, that when President Kennedy approached this particular problem he rejected the Tariff Commission in his approach and gave it Cabinet committee level study and later when he submitted his seven-point program he specifically, as this evidence is

here before you—rejected the Tariff Commission approach under section 7 of the Trade Agreements Act—you look at that section 6 in the April 26, 1961, document and you look at section 6 in the May 2, 1961, document and you will see the last paragraph of the April document upstaged in the May 2 document to give impetus and to give emphasis on the national security provision approach of the President because the State Department did not want anything in that particular program to have to do anything with getting agreements, and the President, said you give me that, we will number it and we will use that national security provision and we will make this State crowd come to grips with this particular problem and get on with some agreements.

Now, they say—before I go into the efforts of the agreement, let me make one more comment with respect to the Kennedy program, to make it absolutely clear to the committee wherein we are lacking. At the present time we have the LTA with 31 countries, just been extended under the Kennedy round for some 3 years, but we do not have some 24 other countries representing 15 percent of cotton imports; 8 percent of the cotton textiles is covered by the LTA.

The CHAIRMAN. What is the LTA?

Senator HOLLINGS. Long-term arrangement. We first had the short-term amendment in 1961. Then the LTA of 1962, which expired this year, and now it is being extended for some 3 years under the Kennedy round. We do not have any agreement whatsoever on woolens and manmade fibers and there is not any question——

Senator TALMADGE. Will the Senator yield at that point? It is not a fact that these fibers are oftentimes mixed and interchangeable and if you have an agreement that allegedly covers cotton and does not cover synthetics, it is about like trying to dam up half of a creek; is it not?

Senator HOLLINGS. Exactly, Senator Talmadge. I could not express it more dramatically as you have by damming up half the creek. Senator Kennedy saw this and recognized it in his letter to me of August 30, 1960. He says: "It is no longer possible to depend upon makeshift policies and piecemeal remedies to solve the problems which the industry faces." Later on in the letter he says: "A comprehensive industrywide remedy is necessary."

A comprehensive one. And then later in the letter he was talking about the matter of jobs and in the next paragraph he talks about: "* * * approaching a solution in terms of the total needs of the textile industry."

Now, this is the national policy we have today according to President Johnson and according to the author, President Kennedy. President Kennedy, so there will be no misunderstanding about it, corresponded with respect to this on June 30 with Senator Pastore, the chairman of the Special Textile Subcommittee of the U.S. Senate. I file that as exhibit No. 9.

(The correspondence referred to follows:)

THE WHITE HOUSE,
Washington, D.C., June 30, 1961.

Hon. JOHN O. PASTORE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PASTORE: Thank you for your letter on the textile negotiations now being conducted by the State Department. I have noted your concern and

that of your colleagues over the possibility that the State Department's efforts to arrange an international conference may not fully meet the problems of the industry.

The import problem, I am sure you will agree, must be considered in the context of our total interest, both foreign and domestic. It should be borne in mind that the contemplated negotiations are designed as one of a series of efforts to assist the textile industry. Our objective is to assist the industry to overcome all of the handicaps which it faces.

The State Department is being instructed to get the best possible relief, not only for cotton but for other fibers. I am also asking the State Department to maintain close liaison with the Congress and with the industry in this matter.

Sincerely,

JOHN F. KENNEDY.

Senator HOLLINGS. It says:

The State Department,

and I quote President Kennedy—

is being instructed to get the best possible relief not only for cotton but for other fibers.

Later, on February 26th—you see, we have been fighting this a long time to be coming up here and be told we are working sudden action—on February 26, 1962, President Kennedy wrote Congressman Carl Vinson, who chaired a similar movement on the House side at that particular time. I will file with the committee, the letter in its entirety, as exhibit 10, and will read to you the second from the last paragraph where President Kennedy says:

I have also requested the Departments involved to implement my program for the wool, manmade fiber, and silk divisions of the industry. Almost all of the points in the program announced on May 2, 1961, apply equally to each of these.

(The letter referred to follows:)

THE WHITE HOUSE,
Washington, February 26, 1962.

HON. CARL VINSON,
House of Representatives,
Washington, D.C.

DEAR CARL: As you know, I have long shared the concern over the textile industry expressed by you and the other Congressmen who signed the letter of February 15. Every segment of our economy must prosper if we are to achieve satisfactory growth rates and satisfactory employment levels.

Nine months ago I proposed seven measures to help overcome the handicaps faced by the industry.

First, I directed the Department of Commerce to launch an expanded program of research, covering new products, processes and markets. I understand that the National Academy of Sciences was asked by the Department of Commerce to help explore this whole broad area and to report its findings and recommendations. A labor-managment committee appointed by the Secretary of Commerce is advising and assisting in the development of recommendations and a report is scheduled for completion on March 5.

Second, existing depreciation allowances on textile machinery have been revised to permit more rapid replacement and to take into account obsolescence. This action is already proving helpful in speeding modernization of textile equipment.

Third, in accordance with my direction, the Small Business Administration has made available necessary financing for modernization of textile machinery, lending over $6 million since this program was initiated.

Fourth, the Department of Agriculture submitted to me, and I transmitted to the Tariff Commission, a proposal for the imposition of an equalization fee to offset the cost to the United States mills of the adverse differential in raw cotton

costs between domestic and foreign textile producers. The Tariff Commission has just concluded hearings upon this matter and I have already requested them to complete their investigation and report as soon as practicable.

Fifth, I have submitted to the Congress a Trade Expansion Bill, which includes a proposal to permit plants and workers seriously injured or threatened with serious injury as a result of increased imports to receive assistance from the Federal Government. Hearings upon this legislation are scheduled to begin March 12.

Sixth, all cotton textile products are now covered by a special international agreement reached at Geneva on July 17, 1961, authorizing the limitation of imports to the level of the 12 months ending June 30, 1961. This agreement expires September 30, 1962. The long-term agreement, which was just negotiated, will continue the same level of imports, with minor adjustments, for an additional five years. It provides the tools with which we can prevent adverse effects upon the cotton textile industry from imports, and the tools will be used.

In concur in your evaluation of the importance of the long-term arrangement. Of course, adherence by the nineteen governments involved must still be obtained, and the United States will exert every effort to obtain this adherence.

The rights of the United States under both the short-term arrangement and the long-term arrangement will be exercised in such a manner that their force will not be modified or diluted by administrative judgment or action. Representatives of the Departments involved have explained to you and others the way the Arrangements will be administered and I assure you and your colleagues of my continuing interest. Under our plans for administering the Arrangements the industry can plan production with complete confidence that its markets will not be disrupted by imports.

Finally, there is now pending before the Office of Emergency Planning an application by the textile industry for relief under the national security provisions of the Trade Agreements Extension Act. Consideration of this case upon its merits is being expedited and I am requesting the Office of Emergency Planning to make a recommendation to me without any unnecessary delay.

I have also requested the Departments involved to implement my program for the wool, man-made fiber and silk divisions of the industry. Almost all of the points in the program announced on May 2, 1961 apply equally to each of these.

I appreciate very much your warm expressions of support.

Sincerely,

JOHN F. KENNEDY.

Senator HOLLINGS. So there is not any question, Senator Talmadge, as you so sagely observed, that it has got to be a comprehensive approach and not a piecemeal one.

Now, President Johnson again in Macon, Ga., talked textiles * * * because this was a matter of concern back in 1964. President Johnson said: "We must now focus on the remaining weak spots and implement the rest of the program." He was referring then to the textile program. He was referring to it at the behest of those concerned with jobs in our part of the country where he was speaking, and this was in October 1964. We are going to do something on the rest of this particular Kennedy program. So, they come now to us and they say, well, now, what is the matter, fellows? Why do you not talk? Why do you not agree? Is not that the better way? And we will agree that agreement is the better way to handle foreign trade problems, get together with these other nations.

Well, I remember personally the efforts to try to get one of the first talks and get together and finally President Kennedy called in the State Department and said, you get a conference. I do not care how you get it. I do not care if you do not talk about anything but get one and let us do something on these textiles. The State Depart-

ment had continually told the White House there was not any reason, was not any need, that nobody was going to talk regardless of our efforts.

In December of 1962, Hickman Price, Under Secretary of Commerce, went to London. He had a feeling that he had been prejudged, so to speak, that the others had come with the foreword that there was no concern, no need to worry, that nothing was really going to be done—I am talking about the other conutries. He said the next morning after the first night there was not even a room for them to meet in. The State Department had not even arranged it. He had to rent it out of his own pocket. He said that was a complete farce.

This is the crowd coming around who has been opposing us for 8 years on a program and talking about quick action and talk.

They had another meeting in June of 1964 in Japan and let us see what they say in June 1965, because I want to hasten along. I know you are extremely busy with a lot of important witnesses, but I will file as exhibit No. 12 the report on the United States-Japan Wool Textile Conference in Tokyo, June 7–8, 1965.

(The report referred to follows:)

REPORT ON UNITED STATES-JAPAN WOOL TEXTILE CONFERENCE IN TOKYO, JUNE 7–8, 1965, UNDER CAPTION "HARD WORDS IN THE ASUKANOMA ROOM"

[From the Daily News Record of Sept. 30, 1965]

WASHINGTON.—The Japanese woolen exporter rose to his feet. "We are not North Vietnam," he told the Americans defiantly.

"We hope you will make a distinction between your friends and enemies."

When the exporter, Kyutaro Isaki, sat down, last June's Tokyo wool cloth conference had been shattered. Angry and discouraged, the American delegation packed its bags and came home.

This is one of the dramatic insights contained in an extraordinary document which has just come into DNR's possession. It is an unofficial stenographic record in two languages, of what went on behind the closed doors of the Asukanoma Room at Tokyo's Hotel Okura last June 7–8.

DNR and the world's press reported on that meeting between United States and Japanese Government and wool textile representatives. They reported the Japanese had firmly rejected a United States bid for an international conference on wool marketing.

What they did not report, what no one has reported, are details of the sometimes savage infighting which occurred in the course of that meeting, when the normal niceties of such neogtiations went out the window and the Japanese mounted belligerent attacks on the American proposals.

Now that DNR has turned up the record, the story can be told. Against the background of renewed rumblings on the wool cloth import front (see DNR Page One, Sept. 29), what happened in Tokyo takes on new significance.

The gap not only between U.S. and Japanese positions on wool, but between the basic philosophies of how negotiations should be conducted between civilized nations, becomes astoundingly wide when you read this record.

Here are some of the highlights:

It was Warren Christopher's (Dean Rusk's special representative) remark that "if relief from disruptive imports is not forthcoming, Congress may well take matters into its own hands," that brought Isaki up fighting.

"We were shocked by your presentation," he said. "We were shocked by your presentation on economic matters. We are confident that if you will get an objective analysis you will support our position that our exports have not injured the U.S. This includes worsteds. I am sure we could talk all day but not agree . . . furthermore we are shocked by your political presentation. We are

the closest friends and allies, therefore, you surprised us by your political threats. So I assure you, we too have a government and legislature and we have leaders who are concerned with our welfare and they will protect us.

"We too," Izaki went on, "have means for our protection including trade in textiles. Therefore, to avoid an ugly showdown, you should check the real facts and change yor position.

"The reason we refuse you is not because we are unreasonable. We are not easily frightened and our relationship will suffer. We do not like political threats.

"We are not North Vietnam," he concluded. "We hope you will make a distinction between your friends and enemies."

Izaki's savage onslaught was especially distasteful to the Americans with its reference to a rapidly escalating shooting war, with heavy American casualties. As Izaki sat down, two more Japanese threw in more polite, but equally tough remarks.

Shokichi Abe, Chairman of the Japan Wool Spinners' Association, told the meeting:

"We have no intention of participating in an international wool conference. It is a domestic problem and must be solved domestically. You should not resort to political pressure."

Hikoichiro Miyazaki, President of the Japan Textile Products Exporters' Association, added, "LTA is a dissatisfaction to me and I am not pleased by it, therefore I oppose an agreement on wool."

But it was Izaki's statement that popped the lid on the kettle.

Shin-ichi Arai, Director of MITI's Textile Bureau, had the gavel. Realizing perhaps that the meeting was about to break up in such rancor it would be difficult ever to sit down constructively with the same cast of characters, he moved for a 30-minute lunch break. The Americans were invited to eat with their hosts. They declined, and went off to huddle alone.

They were angry and disturbed. It was agreed during their luncheon caucus that Izaki had made further talk impossible. The Americans had no intention of negotiating under a gun.

When they came back into the Asukanoma Room, where the sessions were held, Christopher stood up.

"I speak more in sorrow than in anger," he said. "We feel that we have received the answer to our report in such terms, and in such a way, as to rule out the usefulness of any further discussions. There are many factual matters which might have been clarified or corrected, but it would not be useful to do so in the atmosphere established this morning."

As they came out of the room, Morton H. Darman, President of the The Top Co., Boston, and a United States delegate, told DAILY NEWS RECORD of the "harsh and unfriendly attitude of the Japanese."

Just how harsh, how unfriendly, was not revealed until the record became available here this week.

Other Japanese delegates had also spoken bluntly. The day before the sessions began DAILY NEWS RECORD quoted a Japanese official as branding the talks, "Operation Waste of Time," and saying, "We are merely attending a conference to inform the Americans once and for all that we have no intention of entering into any international agreement involving quantitative restrictions on the importation of woolen goods."

Shiro Miyamoto, Chief of the Textile Bureau's Textile Products Division, and leadoff Japanese speaker, had rattled off statistics aimed at demonstrating Japan's efforts to curtail production and insisted that in 1960 American spinning and number of looms "each increased but here we banned additional capacity."

Ichiro Yoshioka, Chief of the Textile Export Section, was much blunter. He said Japan was in the red in its trade with America.

"Japan will not go along with setting up another trade barrier, no matter what items are involved * * *."

Arai, relinquishing his chairmanship to make a statement, said, "We are not happy at trend of discussions to establish new trade barriers * * *. Japan's position on an agreement and conference has not changed since last year when we said no! Since August 1964, there have been developments which may be important. These have been a hardening of our position, not softening of same."

He went on, covering several topics, in increasingly hard language:

"Disappointments on cotton renegotiation in 1965 * * * mounting resentment to cotton arrangement in Japan * * * attitude of U.S. that prosperity is rampant in Japan * * * U.S. is moving in direction of a violation of Article I of LTA * * * we are not convinced about U.S. position paper * * * we were told that LTA discrimination against Japanese cottons would be removed, but this has not happened," and so on.

But all of these remarks were still within the ground rules of hard bargaining between professionals over a conference table.

It was Isaki's gratuitous slap at the United States and his reference to Vietnam that ruptured the meeting.

Arai knew this and closed the session with this remark:

"The meeting of two days is coming to a close. There were A.M. expressions made which were not pertinent and I want you to know they were not meant. We have had honest and somewhat too frank exchange of views (but) we know (we) understand each other."

But there was a postscript. As the record now reveals it went this way:

"At conclusion, member of foreign office conferred with Arai. Arai then called for re-opening the meeting for the purpose of expunging from the record the Isaki statement regarding North Vietnam. This was done."

Izaki's statement was expunged from the record. Whoever the Japanese foreign office man was, he was a diplomat. But before his intelligent and tactful intervention, Isaki's remark had been permitted to remain an hour in the record, as one American delegate put it, "like a cupful of vinegar on a sea of milk."

The foreign office official had realized that they could not let the record stand as it was and still hope one day again to sit down with Americans and bargain on wool. So they cut it out.

How right he was to change the record was made clear when the U.S. delegation reported back to Washington. It was said here that several Senators and Representatives were so angered they very nearly went on the record with their protests. That they did not is a tribute to cool thinking on the part of American woolen men who felt that would only make things worse.

In fact, as one source puts it, the air has now cleared to the extent that at least the Japanese are willing to talk (by cable) on specific segments of the over-all problem, especially on worsteds.

But while the record has been changed and the tempers cooled it's apparent that the Izak remark will not soon be exunged from the memories of those Americans who heard it.

Senator HOLLINGS. The day before the sessions began the Daily News Record quoted a Japanese official as branding the talks, "Operation Waste of Time." And saying:

We are merely attending a conference to inform the Americans once and for all that we have no intention of entering into an international agreement involving quantitative restrictions on the importation of woolen goods.

Later on in the same article: "Japan's position"—this is Shin-ichi Arai—"Japan's position on an agreement in conference has not changed since last year when we said, no." And there was another gentleman that I would like to quote. The gentleman, Kyutaro Isaki: "We are not North Vietnam." He concluded, "we hope you will make a distinction between your friends and enemies."

And there had not been any real discussion on woolens since, Mr. Chairman.

The CHAIRMAN. While you are on that subject, if I can interrupt you for a moment, I notice that Japan themselves have a quota on practically all textiles imports. I am just looking at the document prepared here that shows what the restrictions are in various countries. It was prepared by the Joint Economic Committee, based upon an analyses of quantitative restrictions maintained on import by certain countries prepared by the Bureau of Economic Affairs, Department of State.

Now, looking back here on page 155 of that document, "4203-1, Japan, Articles of apparel containing fur, skin, or combined or trimmed with precious metals or"—et cetera. "4203-2, articles of apparel, other"—just any other article of apparel is subject to a quota in Japan. They are not going to have Hong Kong or anybody else put them out of business. You can count on that. They just will not let it come in.

Senator HOLLINGS. Mr. Chairman, I came through the airport in Charleston, S.C., where Andre Prevost, who had brought his factory from France to Jamestown, S.C., had been very, very successful—this was only 3 days ago—and he is quite a manufacturer in France and he says, I do not understand it in your country. He says, you want high wages, how do you expect to have high wages? You know, they are striking in Detroit for $4.58 an hour wage and we are only getting $2.30 in the textile industry. That is the average and they are striking at the $4.58 level. Mr. Prevost says in the European Common Market, we have quotas throughout to protect ourselves. I cannot understand the American businessman and your Government.

And this is the whole idea. They plead with us and I think as a merit to the plea of free trade, we want to move in that direction.

This bill of mine, and the 67 other cosponsors, is not going to stultify free trade at all. We want to in the textile industry, as they say in these United Fund-Community Chest drives, do our fair share. We want the expanding, the emerging country to participate. We cannot expect one of these African nationals coming forward for the first time to independence to manufacture computers. They need clothing and they can come in and manufacture textiles. They have proven so. But, that is not what concerns us. We are concerned about Japan and Hong Kong, that Japan has got 35 percent of the importation of textiles into America and Hong Kong another 15 percent. They account for 50 percent of imports. Now look at Japan.

Now, the State Department had some fuzzy figures. I want to use the exact figures and I am going to file this as exhibit No. 13, the Survey of Current Business, Office of Business Economics, Department of Commerce.

(The above-referred to follows:)

SURVEY OF CURRENT BUSINESS, OFFICE OF BUSINESS ECONOMICS, DEPARTMENT OF COMMERCE

[In millions of dollars; credits (+); debits (−)]

Line		Japan†						Australia, New Zealand, and South Africa†			
		1961	1962	1963	1964	1965	1966	1963	1964	1965	1966
1	Exports of goods and services	2,122	1,943	2,289	2,526	2,676	2,961	1,175	1,540	1,763	1,651
2	Excluding transfers under military grants	2,122	1,943	2,289	2,526	2,676	2,961	1,175	1,540	1,763	1,651
3	Merchandise, adjusted, excluding military	1,787	1,540	1,820	1,974	2,051	2,341	840	1,156	1,258	1,140
4	Transfers under military sales contracts	24	24	25	16	31	24	26	40	96	66
5	Transfers under military grants, net	----	----	----	----	----	----	----	----	----	----
6	Transportation	119	118	127	136	142	153	58	73	68	74
7	Travel	13	13	20	26	27	34	20	26	30	83
8	Fees and royalties from direct investments	11	14	15	18	20	26	36	47	50	66
9	Other private services	74	81	88	101	107	96	57	58	71	78
10	Other U.S. Government services	7	7	9	8	11	9	(*)	(*)	1	1
	Income on U.S. investments abroad:										
11	Direct investments [1]	15	19	21	30	47	43	96	105	140	137
12	Other private assets	80	112	133	184	208	206	28	33	30	47
13	U.S. Government assets	12	15	31	33	32	27	3	2	1	(*)
14	Imports of goods and services	−1,633	−1,960	−2,142	−2,410	−3,140	−3,850	−837	−799	−806	−982
15	Merchandise, adjusted, excluding military	−1,054	−1,358	−1,497	−1,709	−2,427	−2,966	−655	−601	−635	−806
16	Military expenditures	−385	−378	−362	−326	−346	−476	−105	−103	−57	−80
17	Transportation	−91	−108	−126	−136	−154	−171	−46	−55	−64	−86
18	Travel	−46	−50	−52	−51	−60	−62	−13	−14	−20	−21
19	Private payments for other services	−4	−6	−5	−6	−7	−8	−1	−1	−2	−2
20	U.S. Government payments for other services	−7	−7	−12	−16	−15	−15	−8	−15	−17	−23
	Income on foreign investments in the United States:										
21	Private payments [1]	−27	−36	−64	−79	−106	−123	−6	−6	−7	−9
22	U.S. Government payments	−19	−15	−24	−24	−25	−29	−3	−4	−4	−6
23	BALANCE ON GOODS AND SERVICES (LINES 1 AND 14)	489	−17	147	116	−464	−889	338	741	957	669
24	EXCLUDING TRANSFERS UNDER MILITARY GRANTS (LINES 2 AND 14)	489	−17	147	116	−464	−889	338	741	957	669
25	Unilateral transfers, net; transfers to foreigners (−)	−27	−28	−32	−29	−30	−32	−14	−11	−13	−17
26	Excluding military grants	−27	−28	−32	−29	−30	−32	−14	−11	−13	−17
27	Private remittances	−21	−21	−25	−21	−22	−22	−11	−8	−9	−13
28	Military grants of goods and services	----	----	----	----	----	----	----	----	----	----
29	Other U.S. Government grants	−2	−1	----	−1	----	----	----	----	----	----
30	U.S. Government pensions and other transfers	−4	−6	−7	−7	−8	−10	−3	−3	−4	−4
31	Balances on goods, services, and unilateral transfers (lines 23 and 25, or 24 and 26)	462	−45	115	87	−494	−921	324	730	944	642
32	Transactions in U.S. private assets, net; increase in assets										

Line	Item										
	(−)	−828	−527	−830	−607	−13	366	−111	−150	−323	−313
33	Direct investments [1]	−29	−54	−68	−78	−19	−31	−108	−136	−175	−170
34	Foreign securities newly issued in the United States	−61	−101	−164	------	−52	−4	−17	------	------	------
35	Redemptions	2	4	9	18	7	6	15	15	16	24
36	Other transactions in foreign securities	−11	−23	−29	(*)	7	10	−10	12	−38	−6
	Claims reported by U.S. banks:										
37	Long-term	−4	−51	−155	−126	−15	119	29	−43	−87	−127
38	Short-term	−670	−212	−431	−482	50	266	−12	−3	−17	−17
	Claims reported by U.S. residents other than banks:										
39	Long-term	−30	−57	35	1	−8	3	−2	5	−1	4
40	Short-term	−25	−33	−86	−28	8	−4	−6	−9	−11	−22
41	Transactions in U.S. Government assets, excluding official reserve assets net; increase in assets (−)	−23	−56	−93	50	62	−60	31	14	−11	−30
42	Loans and other long-term assets	−64	−88	−93	−18	−24	−112	(*)	(*)	−64	−56
43	Foreign currencies and other short-term assets	4	3	−21	1	5	−2	−1	1	(*)	(*)
	Repayments on credits:										
44	Scheduled	37	30	61	65	67	64	17	12	80	17
45	Nonscheduled	------	------	------	------	14	------	15	1	3	------
46	Transactions in U.S. official reserve assets, net; increase in assets (−)	------	------	------	−1	------	56	------	------	8	------
47	Gold [2]	------	------	------	------	------	56	------	------	8	------
48	Convertible currencies	------	------	------	−1	------	------	------	------	------	------
49	Gold tranche position in IMF [2]	------	------	------	------	------	------	------	------	------	------
50	Transactions in foreign assets in the United States, net; increase in foreign assets (U.S. liabilities) (+)	−256	535	280	200	291	−140	71	26	40	91
51	Direct investments [1]	------	25	−11	−38	33	−24	(*)	2	−8	(*)
52	U.S. securities other than Treasury issues	------	1	−1	(*)	(*)	5	(*)	(*)	1	(*)
53	Long-term liabilities reported by U.S. banks	------	------	1	−1	2	194	1	------	1	18
	Other liabilities reported by U.S. private residents other than banks:										
54	Long-term	(*)	(*)	3	−4	(*)	------	−1	(*)	3	−2
55	Short-term	32	−15	−28	7	4	−5	5	13	−6	41
	Liabilities of U.S. Government, excluding marketable or convertible securities:										
56	Associated with specific transactions	9	(*)	−6	1	1	4	28	5	−32	29
57	Other nonmarketable, nonconvertible, medium-term securities	------	------	------	------	------	------	------	------	------	------
58	U.S. Government marketable or convertible bonds and notes	(*)	(*)	(*)	(*)	4	(*)	(*)	------	(*)	(*)
59	Deposits and money market paper held in the United States	−297	524	288	235	247	−323	38	6	88	8
60	Errors and omissions and transfers of funds between foreign areas, net; receipts by foreign areas (−)	646	96	527	361	154	680	−315	−611	−687	−381

†Data for earlier periods have not been separately estimated, but are included in the totals shown in table 1.
[1] Excludes undistributed profits of subsidiaries.
[2] Reflects $259 million payment of gold portion of increased U.S. subscription to the IMF in the second quarter of 1965.
Source: U.S. Department of Commerce, Office of Business Economics.

Senator HOLLINGS. On line 23, between Japan and the United States, the balance on goods and services, shows an 889 million advantage or balance of trade in favor of Japan and in disfavor of the United States. They are growing. What is our growth rate, 4½ percent? They are up to around 12 to 13 percent annual growth in gross national product. They are not an emerging country. They are a very dynamic and virile economy. We helped make them so. We are proud of them. They are our ally. We do not try to come here and deride the Japanese but we want to show them as the Senator from Louisiana has shown the U.S. Senate that we are a little long on commonsense. You get the point? Long on commonsense. [Laughter.] This is strictly a business matter and the State Department does not have any idea about it. I want to point out a $267 million deficit imbalance of payments, to the Senator from Illinois, as compared to our deficit balance of trade of $889 million.

The CHAIRMAN. May I say, Senator, that I read the morning paper which had an article that Japan threatens to do dire things to this country in the event that we do something to protect this textile industry. Japan does not come into this thing with clean hands. They have got quotas on practically every textile they manufacture themselves.

Now, if they came with clean hands it might be a horse of a different color. But how can those people say we have no right to put quotas on textile when they have them practically on all textiles?

Senator HOLLINGS. Let use get right into that and then I will close. S. 1796 has been altered slightly in an amendment to the Chinese gooseberry bill, H.R. 2155. I would like to file for the committee that as exhibit No. 14.

(H.R. 2155 follows:)

Calendar No. 489

90TH CONGRESS
1ST SESSION

H. R. 2155

IN THE SENATE OF THE UNITED STATES

AUGUST 22 (legislative day, AUGUST 21), 1967
Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. HOLLINGS to H.R. 2155, an Act to amend the Tariff Schedules of the United States with respect to the classification of Chinese gooseberries, viz: On page , line , insert the following:

1 The total quantity of textile articles (whether made
2 of natural or manmade fibers, or any combination or blends
3 thereof, but not including natural fiber in its unprocessed
4 state such as raw cotton, raw wool, raw silk, or raw jute
5 and not including any article now entitled or hereafter made
6 entitled to entry free of duty), including manmade staple
7 fiber, filaments, and filament yarn, wool tops, and spun
8 yarn, fabric, apparel, household furnishings, and other
9 finished textile articles of natural or manmade fibers or com-
10 binations or blends thereof, which may be entered, or

Amdt. No. 282

2

1 withdrawn from warehouse, for consumption during any
2 calendar year shall not exceed the average annual quantity
3 of such articles entered, or withdrawn from warehouse, for
4 consumption during the six calendar years 1961–1966:
5 *Provided*, That commencing with the calendar year begin-
6 ning January 1, 1968, the total quantity of textile articles
7 which may be entered or withdrawn from warehouse, for
8 consumption for each ensuing calendar year shall be increased
9 or decreased by an amount proportionate to the increase or
10 decrease (if more than 5 per centum) in the total United
11 States consumption of such textile articles during the preced-
12 ing calendar year in comparison with the average annual
13 consumption for the six-year period 1961–1966 as deter-
14 mined by the Secretary of Commerce: *Provided further*,
15 That the portion of any increase in the quantity of any
16 such textile article which may be entered, or withdrawn
17 from warehouse, for consumption during any quarter of the
18 calendar year shall not exceed the proportionate per centum
19 share which the total quantity of imports of textile articles
20 accounted for during the like period of the calendar year
21 ended December 31, 1966. The quantities of any textile
22 article which may be entered, or withdrawn from ware-
23 house, for consumption during the balance of the calendar
24 year in which this Act becomes effective shall be equal to
25 that proportionate per centum share of the average annual

3

1 imports of such article for the years 1961–1966 which the
2 number of days remaining in the calendar year bears to
3 the full year. The Secretary of Commerce shall determine
4 and allocate the allowable quantities of textile articles which
5 may be entered, or withdrawn from warehouse, for con-
6 sumption among supplying countries by category of
7 product on the basis of the shares such countries supplied
8 by category of product to the United States market
9 during a representative period, except that due account may
10 be given to special factors which have affected or may
11 affect the trade in any category of such articles. The Sec-
12 retary of Commerce shall certify such allocations to the
13 Secretary of the Treasury. Notwithstanding the foregoing,
14 in the case of textile articles originating in any country which
15 has entered, or hereafter enters, into an agreement with the
16 United States governing the amount of textile articles which
17 may be imported into the United States from such country,
18 the President by proclamation may increase, decrease, or
19 otherwise limit the quantity of textile articles from such
20 country which may be entered, or withdrawn from ware-
21 house, for consumption in conformance with such agreement.
22 All determinations by the President and the Secretary of
23 Commerce under this section shall be final. This section
24 shall become effective one hundred and eighty days after
25 enactment of this Act.

85-468—67—pt. 2——5

Senator HOLLINGS. This is after consultation, trying to weather down and get the consummate judgment now of some 68 Senators who want to go along and want to help and who recognize this problem.

This particular amendment, and I could go over it step by step but I will not—I will be glad to answer any questions—but the thrust of its entirety is "agreement".

The entire bill can be supplanted, the entire amount of quotas can be supplanted by the administration with agreements with the foreign nations. It states that in the last sentence, second to the last sentence. The last sentence gives them 180 days grace period to negotiate but it does not limit negotiations to that period.

Now, the House bill, some of the House bills, I say all of the House bills, limit negotiations to 180 days. If you do not have an agreement within 180 days then you go back to what they call the best historical period and the best year they had was 1966, so they limit the administration to 1966 and that is why our Secretary Rusk comes up and says it is inflexible quotas. That is why Senator Javits calls it inflexible. He has not read this bill. This is so flexible it will disappear under this statement:

> Notwithstanding the foregoing in the case of textile articles originating in any country which has entered or hereafter enters, into agreement with the U.S. governing the amount of textiles articles which may be imported into the United States from such country, the President by proclamation may increase, decrease, or otherwise limit the quantity of textile articles from such country which may be entered, or withdrawn from warehouse, for consumption in conformance with such agreement. All determinations by the President and the Secretary of Commerce under this section shall be final.

Now, that is the thrust of this particular bill. It is drawn in conformance with the General Agreement on Tariffs and Trade, GATT, in mind. We did not just run off and get us a bill and write down some words and throw it in and holler whoopee, we are going to get publicity back home because "we is for textiles." We have been charged with that nonsense but we have been working too long. The facts belie the record. We have gotten some of the best tax attorneys and counsel and amid this right straight down the gun barrel of GATT. The Secretary of State, and he has got to know better, he has got many, many problems, somebody threw this to him and he read it quickly and talked about the prohibition against quotas. The very section he referred to as prohibiting quotas, article 11, also provides for quotas. "Provisions of paragraph 1 of this article shall not extend to the following: (c) Import restrictions on any agricultural product imported in any form," referring, of course, to cotton and woolens.

So the very article there allows restrictions on these and in any blend with manmade fiber——

The CHAIRMAN. Would you mind reading that again?

Senator HOLLINGS. This is on page 29, GATT, and we will file this as exhibit No. 15, article 11, page 29, section 2, "The provisions of paragraph 1 of this article shall not extend to the following subparagraph, (c) import restrictions on any agricultural product imported in any form."

Then it goes on, with all kinds of language of art in there to carry it out.

(Exhibit No. 15 referred to, was made a part of the official files of the Committee.)

The CHAIRMAN. That is agricultural products.

Senator HOLLINGS. In any form and——

The CHAIRMAN. Would you call manmade fibers an agricultural product?

Senator HOLLINGS. No, sir, but "in any form" meaning blended with cotton and woolens. However, in article 19, manmade fibers does come very definitely under this particular section. They put in a declaration of intent, the signatories to GATT, that if as a result of unforeseen developments, I am quoting: "any product is being imported into the territory in such increased quantities and to threaten serious injury to domestic producers, then the parties shall be free to suspend from the obligation or withdraw." It is the intent that you do not ruin your domestic industry and that was written into article 19, and we can tell you now with the agility and the keenness of Japanese competition that they move from commodity to commodity. When you have the velveteens, they jump to corduroys and keep you jumping all around. Now, that we have gotten to cotton they are jumping on woolens and manmade fibers. That is article 19.

I refer also to article 21: "Nothing in this agreement shall be construed, subparagraph (b), to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests."

President Kennedy called the industry vital. He quoted the Office of Civil Defense Mobilization: "essential, second only to steel." Is this good for national security? Are we in a war or not?

Only one minor advantage, if you want to call it such and that is not a good use of words, but call it an advantage that the war in Vietnam is at the torrid zone, not the polar region. We could not provide the woolens if it were in a polar region.

The New York Times in April of this year carried an article mentioning the Green Berets. They are manufactured in a little building up in Canada. In one end of the building they are making the Green Berets and in the other end of the building they are accepting the draft dodgers. That is in the New York Times, April. I will be glad to go into that article.

But let me tell you specifically how we aim this bill. They say we are going to retaliate. This bill has definitely got GATT in mind. It has the provisions of GATT in mind—article 28. It provides for the submission of a written complaint. If you think that wrong action has been taken, you file your written complaint. And then article 22 says that:

> Each contracting party shall accord sympathetic consideration and shall afford adequate opportunity for consultation.

Suppose I am Japan. I have $420 million worth of textiles going into the United States. My bill cuts them down $130 million. They have got an $889 million favorable balance of trade. I am looking at it as a businessman. What I am going to do? Retaliate to begin with—or am I really going to take the provisions provided under GATT? I am going under GATT. I am going to make my written complaint. I am going to get a consultation, I am going to get me an agreement, get me back my $130 million worth. Isn't that what I am going to do? Sure I am going to do that. I am not going to lose this good thing. I am not going to get excited and kill the goose that laid the golden egg; namely, the United States of America's trade.

This bill says the President can do that and it is assumed, of course, the President then would fix into the agreement a provision like we and Japan have agreed to on the subject of cotton—a growth rate. Our bill provides for sharing in the growth of domestic consumption increases and it is assumed that the President would write this into it, so there would be no retaliation.

But to come up here with all of the charges that you are like a bunch of buccaneers, you are all banding together to ravish the economy of America, setting us back 20 years, "spiral upward," "downward," "sudden action" and setting trade policy back 20 years. We resent that type treatment. But we are not surprised at it.

Mr. Chairman, that is the same crowd that fought President Kennedy on the institution of his program, his national policy, which President Johnson has enunciated is his national policy. This is the question before this committee.

I am a businessman. And this is where I close. One particular industry invested $165 million last year. And others reach a crisis in investment decisions this year. We would rather not name these industries, because they do not want to come up and testify to this kind of action—but it came to me very dramatically having worked 8 years ago, there were several in the industry who literally bothered me to death with letters and telephone calls. When are you going to do this, when are you going to do that? I could not answer all the calls and keep up with the correspondence.

I did not hear from them when we started on this program; I asked why. I looked into it closely and found out they have started overseas. They have joined them. One fellow on the advisory committee with the Department of Commerce, supposing to regulate this thing, in good conscience, said I cannot any longer. I am on the other side. He quit the committee.

And I am filing as exhibit 16 a list of those who have installations overseas, with your committee.

(The list referred to follows:)

SELECTED FOREIGN LOCATIONS OF PLANTS OWNED, WHOLLY OR IN PART, BY SELECTED AMERICAN APPAREL AND TEXTILE FIRMS

Apparel	*Location*
The B. V. D. Company, Inc	Latin American Countries.
Blue Bell, Inc	Malta, Spain, Canada, Columbia, Belgium.
Botany Industries, Inc	Finland.
Cluett Peabody and Co., Inc	W. Germany, Sweden, U.K., Canada, Switzerland.
Cole of California	Netherlands.
Colonial Corporation of America	Jamaica.
The Duplan Corporation	Canada.
Exquisite Form Industries, Inc	W. Germany, Sweden, U.K., Canada, Venezuela.
Fownes Brothers & Co., Inc	Philippines.
Form Fit (Genesco, Inc.)	Jamaica.
Wm. Gluckin Co., Ltd	Philippines, Bermuda.
H. W. Gossard Co	Canada, Australia.
Hanes Corporation	Canada.
Jantzen, Inc.	Canada, U.K., Australia.
Jonathan Logan, Inc	Canada, U.K., Ireland, Venezuela.
Kayser-Roth Corp.	Venezuela, Canada, Israel, Latin American countries.

Apparel	*Location*
Liberty Fabrics of N.Y	Canada, Panama, U.K.
Lovable Brassier Co	Jamaica, Japan.
The Manhattan Shirt Co	Belgium.
McGregor-Doniger, Inc.	France.
Peter Pan Foundations, Inc	Belgium, Netherlands.
The Puritan Sportswear Corp	Canada, Panama.
Reliance Manufacturing Co	Canada, Hong Kong.
Rose Marie Reid	Netherlands, Mexico, Chile, South Africa.
Spartans Industries, Inc	Hong Kong, Panama.
White Stag (Bantamac Corp.)	Austria.

Textile	*Location*
Aberfoyle Manufacturing Co	Canada, Australia.
Beaunit Corporation	Israel, Canada.
Berkshire Hathaway, Inc	Canada.
Bigelow-Stanford, Inc.	W. Germany, Italy, Finland.
Burlington Industries, Inc	Mexico, Canada, Colombia, France, W. Germany, South Africa, U.K.
Collins & Aikman Corp	Canada, Belgium.
Indian Head Mills, Inc	United Kingdom, Nigeria.
Johnson & Johnson	Twenty-one countries listed.
The Kendall Co	Canada, Mexico, Argentina, Brazil, Colombia, South Africa, U.K.
Reeves Brothers, Inc	United Kingdom.
Riegel Textile Corp	Canada.
J. P. Stevens & Co	Canada, Australia.
United Elastic Corp	Nova Scotia, Belgium.
United Merchants and Manufacturers, Inc.	Canada, Argentina, Brazil, Uruguay, Venezuela.
West Point-Pepperell, Inc	Italy, U.K.

Chemical fibers	*Location*
Celanese Corp. of America	Canada, Mexico, Colombia, Venezuela.
E. I. DuPont De Nemours & Co. Inc	Canada, Mexico, Argentina, Netherlands.
Monsanto Chemical Co	U.K., Australia, Argentina, Mexico, Belgium.
Rohm & Haas Co	Brazil, Italy.

Senator HOLLINGS. Now, it is not in great measure that they have gone overseas and that is to the credit of this dynamic industry. They have come up, they have modernized, gotten the best production, gotten the best relations. They are the finest industry in all of America, not just my South Carolina. But they are not philanthropic or welfare movements. They are businesses for profit. They will keep enough industry in the hometown to win the good government award or outstanding citizen but when it comes to making a profit for their stockholders, they are going to have to join them if this committee and if this Congress says as a matter of national policy what the State Department is saying.

If on the contrary you say what Presidents Johnson and Kennedy said and complete this program then they can stabilize and make their investment—one industry I had reference to invested $165 million last year. They will have about $110 million this year. Where do they invest it? Some have invested in Portugal, in Colombia, in contracts in Hong Kong and in Japan. You know who did call me? And this brings me back to our distinguished friend, Senator Javits, the free trader. I helped organize the State ports of South Carolina, I got them the

bond issue and traveled to five countries in Latin America and seven in Europe building trade. I recently received a call from the port authority in my own hometown. "What are you trying to do?" they said. I said "What is the matter?" "You have gutted us," they said. I said, "What do you mean?" "The greatest imports we have now is in textiles," was the answer.

Well, that was really news to me. I knew some was coming in but I did not realize that much. I said, "Well, if it comes between choosing for the port and choosing for some 72 percent of industrial employees in South Carolina, I will have to side with the textile worker," and that is where we are.

Now, Senator Javits and I both are interested in jobs, but he is interested in trade jobs and port jobs and I am interested in textile jobs. What would the industry do? If you could get in your yardage in the gray goods—as in one particular industry I talked to just last week—if you can get it in 2 or 3 cents a yard cheaper and finish it here and sell it here, then that is what you are going to do. And this entire industry sitting behind me now is looking to really find out what this Congress and what this administration's policy is. They have fought the good fight. They have been in it. They have heard all kinds of rumors, have been referred to and fro to the Tariff Commission, this committee, and everybody else, but now they have got to get down to really doing business and they cannot compete any longer as the job losses and the rate of imports into this country plainly demonstrates.

I will be glad to try to answer any questions you have. I will file my prepared statement as exhibit 17.

(Senator Hollings prepared statement follows:)

STATEMENT OF SENATOR ERNEST F. HOLLINGS BEFORE THE SENATE FINANCE COMMITTEE, OCTOBER 20, 1967

Mr. Chairman, much has been said recently about the impact of textile imports—the threat which they pose, and the new dimensions of the problem which they are creating.

But there is one dimension of the problem which merits our most thoughtful consideration. It is the most compelling reason for the institution of reasonable controls on such imports, and at the same time, it constitutes their most serious threat.

The time is approaching, and perhaps more rapidly than any of us suspect, when the U.S. textile industry will be forced to make a basic and far-reaching decision. The decision is whether it will remain in this country; or whether it will move overseas, or be required to enter the import market itself. It has now become unmistakably clear that the depth, the breadth, and the diversity of the textile import pattern will determine the future size, character, and structure of the textile industrial complex of this country.

On March 1st of this year, the distinguished Senator from Rhode Island (Mr. Pastore) made a prophetic statement in the course of his remarks on the textile import problem. He said:

"Dollars and gold are fluid and will find areas for adequate return. I am interested in the hundereds of thousands of men and women who will lose their jobs and who at middle age or later find that their skills are useless."

I echo these sentiments.

The textile import problem really resolves itself into this basic issue: Will U.S. textile trade policy permit the domestic industry to survive and grow as textile markets expand, to provide additional jobs, to increase its capital investment, and to enlarge its contributions to our economy in general; or will it cause the shifting of productive capacity abroad to supply the U.S. market, with the consequent loss of jobs, earnings, and capital investment. In a word: Are we to have a trade policy which balances this nation's international responsibilities with the absolute need for a strong, dynamic U.S. textile industry?

The resolution of this issue involves the greatest threat of textile imports.

For the textile industry, the decision which it will be forced to make will not be easy. In major part, it has elected to remain in this country. But this should not make us complacent. The sources of raw material are available overseas. The incentive to move overseas certainly exists. And the current situation provides a strong attraction for our industry to import. Should the decision be made that the advantages of operating overseas outweigh those of maintaining strong domestic production, then it will be one not easily reversible. And it will have far-reaching consequences for the nation as a whole.

It is important that we fully appreciate the factors influencing this decision and what it would mean for the industry to conclude that its future in this country is limited.

One has only to look at the trend of textile imports to see that foreign countries can ship textiles to the U.S. in almost any quantity which they desire.

Take the ten-year period 1958–67. Total textile product imports have risen from 609 million square yard equivalents to a current rate of almost 2.7 billion equivalent square yards. This is more than 4 times what it was ten years ago.

Cotton textile product imports are more than three times their 1858 levels; wool, 2½ times; and imports of man-made fiber textiles an astonishing 15 times.

If past trends are any indication of the future, then we can look forward to no let-up in the growth of textile imports. And it is the rate of increase in textile imports that is at the core of this import problem.

If we could be assured that the future growth of imports would not usurp the growth of U.S. textile markets or displace existing productive capacity, the jobs of those of us with an interest in this industry and its employees would be much easier. But we have no such assurances.

The textiles entering this country from abroad are coming in almost exclusively because they are cheaper. It is not a question of efficiency, for the American textile worker has made the U.S. textile industry by far the most efficient in the world. Foreign imports are cheaper because they are produced at wages that are illegal in this country. And it is the low level of wages in those countries which supply us the bulk of our textile imports that results in costs and prices which the U.S. industry, despite the superior efficiency of its workers, cannot meet.

Because of this, Mr. Chairman, we have the ironic situation of a textile trade policy which has the practical effect of replacing the most efficient and productive textile industry anywhere, with less efficient industries of the low wage nations. This is the ridiculous position taken by our State Department and the Office of the Special Representative for Trade Negotiations. Nothing could be farther from our own, or, for that matter, from the national interest of those countries which are sending us such tremendous volumes of textiles.

This is one of the elements which will certainly be considered by the industry in its decision. There is another fact which the industry will weigh also.

On May 2, 1961, President John F. Kennedy announced what has since become known as the Kennedy Seven Point Textile Program. This program has been reaffirmed by President Johnson.

At the outset, we recognize and applaud the essential parts of this program which have been implemented through the efforts of both President Kennedy and President Johnson. That the program is soundly conceived as demonstrated by the highly responsible manner in which the textile industry has reacted to the remedial action taken under it.

However, one very important segment has yet to be fully effectuated.

Point six "directed the Department of State to arrange for calling an early conference of the principal exporting and importing countries." It went on to say: "This conference will seek an international understanding which will provide a basis for trade that will avoid undue disruption of established industries."

Thus far this provision has produced only an arrangement covering trade in cotton textiles, and that has proved woefully inadequate in application.

At present we have only a piecemeal approach that merely shifts the emphasis from one type of import to another.

The textile industry has a right not only to expect, but to have global controls on all types of textile imports—the kind of controls that prevent the disrupion of markets.

The Kennedy Program is a multi-fiber program. Top administration officials at the time of its announcement and subsequently, made that eminently clear in numerous public announcements.

On August 30, 1960, then Senator John F. Kennedy wrote me as Governor of South Carolina detailing fully his views on the subject of textile trade. There was no mistaking his intentions. Among other things, he said:

". . . It is no longer possible to depend upon makeshift policies and piecemeal remedies to solve the problems which the industry faces. . . . A comprehensive industry-wide remedy is necessary. . . . The outline of such a remedy can be found in the report of the Pastore Committee."

The report of the Subcommittee of the distinguished Senator from Rhode Island, Mr. Pastore, of course, included a recommendation that there be established a system of import quotas by country and category on all textile articles.

These two basic considerations—the constantly rising trend in textile imports, coupled with the failure to implement fully the Kennedy Program—will be a determining factor in the industry's plans.

U.S. textile markets undoubtedly will expand in the future. What is doubtful is whether this market will be supplied in major part by a strong domestic industry or by overseas production.

The growth of these markets can mean an opportunity for the textile industry to provide thousands of additional jobs for a whole host of skills in the very areas where the need for industry employment is greatest. It is important to focus on this point.

In the Appalachian Region, for example, the textile-apparel-fiber producing industries provide 27% of total manufacturing employment. In the State of South Carolina the textile and textile-related industries together account for 70% of industrial employment.

We have heard much about migration from Southern and Southeastern states to Northern cities. We know from sad experience the problems flowing from this movement.

If a solution to this migration and the problems incident to it exists, it is in the provision of jobs to stem the movement of people from these sections of the country. The textile industry is now offering and can, to an even greater extent, offer these employment opportunities. But to do so it must have confidence in its future here. It must be able to grow, for only an expanding industry can compete for people, capital, and in all the other areas that make up a dynamic industry.

On the other hand, if the industry concludes that the philosophy of certain segments of our government—the Department of State and the Trade Negotiators Office—is to prevail, there could be a wholesale shifting to overseas sources. This would mean the transfer to other countries of the job opportunities that would otherwise be available here. And it would mean investment of American capital abroad.

Quite obviously this sort of decision would directly and detrimentally affect the more than two million persons employed in the textile industry.

But its impact would extend also to:

—over 500,000 cotton producers and their families, since two-thirds of the U.S. grown cotton crop is marketed only through the textile industry.

—more than 225,000 wool growers since all the wool produced in this country moves through the domestic textile industry.

—producers of the more than 300 million pounds of cornstarch consumed by the textile industry.

—truckers because 90% of the textiles moved in this country are hauled by truck.

—paper manufacturers to whom the industry pays over $200 million for packing materials.

—power companies which supply the industry over 16 billion kilowatt hours of electric power.

—textile machinery manufacturers who, in 1966, sold the industry $640 million worth of new equipment.

—construction workers who built over $500 million worth of new facilities in 1966.

—a host of others including banks, insurance companies, and others which service the industry.

We in the Congress have an obligation to the nation and to the millions of persons who derive their income, at least in part, from this industry, an obligation to create the kind of climate that encourages the textile industry to grow and prosper.

This can be accomplished through a system of reasonable quantitative limitations on *all* textile articles, including man-made fiber. Such a program is consistent with textile trade policy over the past thirty years. It would permit a large volume of textile trade and allow our friends overseas to share in the growth of our domestic markets.

But of overriding importance, Mr. Chairman, it would prevent the appropriation of our future market growth by low-wage foreign imports. It would insure that existing productive capacity in this country would not be reduced. And it would permit the domestic textile industry to plan its future in this country with confidence.

The bill which I have offered and in which 67 of my colleagues have joined provides a reasonable solution. In fact, experience over long years has demonstrated that it is the only answer.

Before I close, Mr. Chairman, I must comment on one recent development.

On October 4th, the President requested the Tariff Commission to undertake a factual analysis of the economic conditions of the U.S. textile and apparel industry and the impact of imports on it.

My disappointment with this action is no secret. The facts and condition of the industry are already spread on the record. What other facts are necessary? This is not the time for more study, for more hearings, but the time for action.

President Kennedy on May 2, 1961, said, "I believe it is time for action." He stated this after a three-month, extensive study by his Cabinet committee which encompassed the Pastore Hearings of 1958, 1959 and 1961. He stated this after specifically rejecting the Tariff Commission's approach and after the Tariff Commission had specifically rejected this Finance Committee's suggestion that it study the problem. Since this time, no action has been had on the woolen and man-made fibers. We are already six years overdue.

My sincere hope is that this study will in no way delay action by the Congress on legislation.

The textile industry is rapidly approaching the time when it must make a *decision out of crisis*. We in this Congress have a unique opportunity to play a determinative role in the direction of that decision. Action on our part can be of immeasurable benefit to the textile industry and its employees; to vast numbers of other businesses and workers who supply and service it; and to our nation. Inaction by the Congress will set in motion the processes of deterioration and unemployment here at home.

With all the conviction that I can muster, I say that we must act and act now.

The CHAIRMAN. Senator Hollings, you are confident that what you have proposed here does not violate the Geneva Agreement on Tariffs and Trade?

Senator HOLLINGS. I am positive; yes, sir.

The CHAIRMAN. Both for the defense reason and because it involves——

Senator HOLLINGS. Numerous sections in GATT——

The CHAIRMAN (continuing). Other commodities.

Senator HOLLINGS. Article 13 requires that the quota system aim at a distribiution of trade approaching as closely as possible the shares which supplying countries might be expected to retain in the absence of restrictions or quotas.

The CHAIRMAN. When the Secretary of State testified 2 days ago that what we are talking about doing up here violates the Kennedy round, I must say that sounded pretty ridiculous to me, because I was here when we passed that bill. President Kennedy told me personally at that time that he had given assurances to the textile industry. He was going to protect that industry. He was not going to let them be run out of business in their own markets, and he said he was going to do the same thing as far as the petroleum industry was concerned. He was not going to see those industries destroyed. He wanted to expand in areas where competition and additional competition was justified, where American producers were getting the worst of it and he did not

intend that these two industries be driven out of business. So this was part of the Kennedy round. That is how he got the bill through. I assume you heard about that. You were not in Congress at the time.

Senator HOLLINGS. Yes, sir.

The CHAIRMAN. But you were Governor of South Carolina at the time.

Senator HOLLINGS. We testified before the Tariff Commission and the Gatlings committee.

The CHAIRMAN. You well understood as part of the Kennedy round the textile industry was not to be sacrificed on that altar of free trade, and that he did do some things in the direction that you are seeking.

Senator HOLLINGS. That is right. And they know it. They have tried to avoid us. You do not get 68 cosponsors and the administration not even discuss it with you. But they have not. They brought us in 24 hours—that is the first discussion the administration ever had with us on the subject—24 hours after they announced the Tariff Commission approach and then they were dismayed that we would not really put any faith or credence in the Tariff Commission approach. We know the Commission already said it could not do it to this same Finance Committee. We know this is what we avoided with President Kennedy in the present program and we know you are not going to get any results from that particular group. That is why we are looking to the administration to determine really what is its policy.

The CHAIRMAN. Let us get back to this point about Japan taking the retaliatory action against the United States. If your bill were in effect, how much—assuming that it was administered they way it is indicated—how much favorable balance of trade would Japan have on textiles?

Senator HOLLINGS. They have a $420 million balance now. This bill would cut it about $130 million temporarily. I do not think the cut would be anything but temporary. I think they would immediately come in as this bill provides and sit down and try to reach an agreement. President Kennedy wanted that national security provision in his seven-point program as No. 6 so that he could really force this State Department and force the other nations to some agreement, to make them sit down and talk about it. And he used it and that is how we got the LTA. I am trying to equip President Johnson and his administration, our administration, with a tool to bring these folks where we finally got them this morning. I understand that they are at least going to talk today. We recently brought the whole Japanese Cabinet over and they all had tea and what have you. I have not had any, but, be that as it may, we finally got them here speaking.

Now, once we go ahead and get the quota they will sit down and start agreeing. And while they will be cut back temporarily $130 million, I think even before the 6 months is over they will agree at the present level because they pick back up $130 million. There would not be any place to retaliate much to begin with, and it would be a violation of GATT. They are supposed to file a written complaint, supposed to consult under article 21, and then the whole idea of the quota will not be needed. That is why this approach was used.

The CHAIRMAN. If I understand your bill, it would state that the President will seek to make agreements with these countries to preserve the textile industry of the United States. Now, if he cannot get

the agreements then quotas would go into effect. I take it that is the idea.

Senator HOLLINGS. Right.

The CHAIRMAN. As far as Japan is concerned they have got a favorable balance——

Senator HOLLINGS. $420 million in textile but $889 million in all trade, which leaves them a net of $469 million.

The CHAIRMAN. Your bill says you come in and negotiate with us and we will try to make an agreement with you, but if you are not going to make any agreement, then here is what is going to happen.

Senator HOLLINGS. Exactly, and they are going to agree. They are going to keep what they have got. They are not going to lose anything under the Hollings bill.

The CHAIRMAN. Let us assume they did not negotiate with us and did not reach any agreement—how much favorable balance would they have if they refused to talk?

Senator HOLLINGS. They would have $420 million in favorable textile trade and lose $130 from before, leaving them about $290 million in textiles.

The CHAIRMAN. Now, if they then said we are not going to buy any rice from the United States and not going to buy any wheat from the United States, what could this country do?

Senator HOLLINGS. There are many places that need wheat, Mr. Chairman, and they need it. They are not going to cut their own noses off to spite their faces. That is just not a practical approach.

The CHAIRMAN. It would occur to me if they said they are going to refuse to do business with us any further, if that is the case we can say we will not buy any textiles from you. There are things we can do. It works both ways.

Senator HOLLINGS. That is correct; and then they would have to finally come to grips with the problem. They just finally came to grips on cotton because President Kennedy brought them to grips and I am hoping that President Johnson will bring them to grips. I have got in this record what they said, no, no, we are not even going to discuss it.

The CHAIRMAN. Let me just say that, as far as I am concerned, I do not blame the Japanese at all for what they have been doing.

Senator HOLLINGS. No. They can say no and get by with it.

The CHAIRMAN. If we are foolish enough to sit there and let them take over our markets and do nothing else about it, let them run our industries out of business, as long as they can continue that trend they would be foolish not to. They are looking after their nation and they have responsibility to their people. If I were them I would think the United States is pretty dumb that it does not do for its people what the Japanese are doing for theirs, but as far as simply saying what should their national interest be, I would say they are pursuing their national interest by selling to us all they can and up to now it has been good business to do that.

Now, I think that you have a point about these ports. Sometime back I was trying to do something about oil imports and I received a wire from the Chamber of Commerce, New Orleans, stating in effect: "Oh, my goodness, what you are doing here would restrain trade. We are all for trade and we are for expanding it on whatever basis." I took a

look at the oil situation. Here comes a tanker with a million barrels of oil. When he puts that foreign oil in there we lose $250,000 that very day for our schools. We lose about $600,000 or $700,000 in wages plus the profits on oil our own producers would have made, having done business, and people providing services to them. Also some fellow could make maybe a fee of $5,000 by unloading that oil. Well, that is fine. I am happy for the port to make the money but it is not much compared to the rest of that oil we are taking back or that $3 billion. Actually, in Louisiana we would be losing almost $3 a barrel for the State economy, of which roughly 10 percent would be taxes that they would pay to the State. So if you just put all things in balance it works out about the same way, interest of the port, against the working people—it is fine to unload the stuff at Charleston, but my guess is you are probably losing a hundred jobs for the one you are getting at the port when they take your industry away from you.

Senator HOLLINGS. Well, it is a national industry, Mr. Chairman. It has proved that. It has got 2 million workers directly engaged, it affects 4 million jobs overall, and we have lost on an average of 100,000 net loss, the last 2 years. You can use different figures at different times. If we used an August figure, an actual figure by the Department of Labor, 110,800 jobs were lost. But then the apparel industry—because it fluctuates—comes in in August, puts in some 60,000 jobs and the last figure dropped to 48,400, but overall there has been a net loss. Those statistics and that background will be given by others representing the industry and is in my prepared statement, but I wanted to try to bring it before this committee as best I know how, the fact that we are not looking for any special privilege. We have not designed anything to cause a spiral upward, or backward, or set anybody back 20 years from any sudden action. It is part and parcel of President Johnson's program. Everybody has asked me, do you think the President is going to sign it? I think he will. He said he wants to implement this program. I think that if we can get this through that he will sign it because it puts complete trust in the administration and in the President to negotiate any kind of agreement at any time.

There is no limitation as to how the agreement should allude back to 1 year nor is there a 180-day limitation, both of which are in the House versions. We trust the President. We trust the administration; but, we know the President has got too many other problems on his mind and the State Department—is like delivering lettuce by way of a rabbit. It just does not get to him. [Laughter.] And we want to make sure that this gets in some record somewhere at some time.

The CHAIRMAN. It seems to me in view of the statements John Kennedy and President Johnson made, it might be appropriate to send a bill down there that does seek to do just about what those statements said and then see if the President would sign it.

Senator HOLLINGS. Let us reason together.

The CHAIRMAN. Any questions?

Senator Anderson?

Senator ANDERSON. How many do you say are in this bill, 68?

Senator HOLLINGS. Sixty-eight cosponsors.

Senator ANDERSON. When did they send up the bill?

Senator HOLLINGS. The bill was introduced on May 18 and over the past 4 months they have joined up. We have had 60-some sponsors since the first part of August.

Senator ANDERSON. I was going to warn you, you had better be careful because we had a bill one time with 80 signatures on it and we knew it was dead.

Senator HOLLINGS. Yes, I know that. I have been told that. And that is why we are here just fighting as hard as we know how. We are not taking anybody for granted. But we do believe we can get a vote, get it passed through the U.S. Senate.

Senator GORE. That bill with 86 signatures, including the majority and minority leaders, did not have enough support even to get out of the committee.

Senator ANDERSON. I was worried a little bit about that. Your bill has textiles. What about other bills coming up here, like oil?

Senator HOLLINGS. I am not faimilar with the merits of those cases.

Senator ANDERSON. Steel?

Senator HOLLINGS. But I am sure they do have merits. Steel does. I have studied part of that. I am cosponsor of it.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Mr. Chairman, recognizing there are many witnesses waiting and other amendments, I will pass at this time.

Senator TALMADGE. I congratulate you and your statement sir.

Senator HOLLINGS. Thank you, sir.

Senator GORE. No questions.

The CHAIRMAN. Senator Dirksen?

Senator DIRKSEN. Mr. Chairman, let me say first of all, Mr. Hollings, there is only one question, basic question, that I want to raise. The General Agreement on Trade and Tariffs, commonly referred to as GATT, came into being in 1948. Well, now, it runs in my mind that year the then administration sent up a bill for the creation of the International Trade Organization and it went to the Foreign Relations Committee of the House. I think it died in the committee, as I recall it. They would not have any part of it. Then, in the following year, maybe later, they came up with the Organization for Trade Cooperation, which went to Ways and Means, still another bill having substantially the same objective. It called for congressional delegation of authority over foreign commerce to an international group. They may have gotten out of committee but it never got out of the House. The next year it was never reported by Ways and Means. But, here is an executive agreement and GATT is an executive agreement.

Now, I cannot find anywhere that that displaces in any way or supervenes the power of Congress to deal with foreign trade and foreign trade policy regardless of whether there is an international executive agreement or not. Do you share that view?

Senator HOLLINGS. I do share that view, Senator.

Senator DIRKSEN. Frankly, I tried to be a little careful about the other countries so that we cannot be charged with bad faith, but I noticed with interest what you recited about the GATT agreement, because I found the same thing. There is nothing in that agreement that ties our hands so far as negotiation is concerned.

Senator HOLLINGS. The LTA is in conformance with GATT and that is an agreement between 31 countries on cotton and that is all that we are trying to do with this, get 31 countries to agree on woolens and manmade fibers.

Senator DIRKSEN. And when the question was raised whether in respect of nontariff barriers such as income rebates and subsidies and frontier taxes and that sort of thing, the countries over there generally pleaded that all these were in conformity with GATT. And yet there have been restrictions on trade. And yesterday with our colleague, Mr. Javits, I tried to make the point that when all is said and done, the European Economic Community, the Common Market, was nothing more than a mass-protection agreement. I do not know how you figure it any other way.

But the essential point I am trying to nail down, because when we attended the Cabinet meeting yesterday or the day before, and I was privileged to attend that meeting—a lot of people around, of course, but they held up their hands to say, why, you are violating GATT.

Now, I believe that under the administration of John Foster Dulles, when he came before the Senate and the Senator from Colorado propositioned him some about the question of GATT, he said, where do you get your authority? He said, we get it from the Reciprocal Trade Agreements Act, and then he backed up on it, on that matter, and finally said, oh, this is an inherent right that we have. Yes, that the President has that inherent right.

I do not believe the President has that inherent right——

Senator HOLLINGS. Under article I, section 8, it goes to the Congress

Senator DIRKSEN. Any more than the Attorney General should advise a President of the United States that he hcd an inherent right to seize the steel industry. There is no such inherent right. Oh, he can enter into an Executive agreement, but, how does he enforce it if it calls for a surrender of a power given solely to Congress by the Constitution.

Now, this is a little tussle perhaps, between the executive branch of Government and the legislative branch but we had better start getting pretty clear on where the authority lies and whether we have authority so that these deceptions of the people come to an end. But it is so easy to put it out on the front page, "it is going to violate GATT." Well, let us know once and for all whether it is in violation of that general agreement or not. And frankly, I do not believe it is.

Senator HOLLINGS. I agree with you, Senator, but assuming even if GATT was to be heeded, we have drawn our measure to conform with the various articles.

Senator DIRKSEN. Yes; I do not believe that that ought to be ignored but on the other hand, I do assert and I shall continue to assert that when there is a heavy impact upon the well-being of the American economy, the Congress has a responsibility to take a look and see whether there is a remedy for it, one that is fair and equitable to all concerned, and my interest is after all a matter of fair share, fair share of our own market for us and a fair share for others, and that is what we have got to ascertain.

Senator HOLLINGS. Thank you, sir.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. No questions.

The CHAIRMAN. Senator Harris?

Senator HARRIS. No questions.

The CHAIRMAN. Thank you very much for your statement, Senator. I was reminded that I should inquire about this matter by the staff.

Senator Dirksen was right when he was suggesting that actually this country is not a member of the GATT. We have never ratified that agreement here in the Senate and I believe that one reason we did not do it was that we feared that some day GATT might become an organization controlled by less-developed countries who might try to dictate policies to the developed countries, and we have something similar to that in UNCTAD, the United Nations Committee for Trade and Development. Generally speaking that organization tries to force policies upon the developed nations which would mean higher prices for the commodities that they produce.

Senator HOLLINGS. The same as the Geneva accord in 1954. We did not ratify that either but we are its biggest booster.

The CHAIRMAN. So, we are a provisional member of it and it is fine for the Secretary of State to come down and say this is unlawful and we are breaking the law, but the Executive has no power to make any Executive agreement with anybody that would preclude Congress from passing an act and making it the law. And furthermore, the Executive has no power to enter into any agreement that sets up some supranational policy organization which can override the laws of this land. He does not have that authority. You know that; do you not?

Senator HOLLINGS. Yes.

The CHAIRMAN. So, while it is fine to conform to it if we want to, GATT is no treaty that this Nation has subscribed to. We are a provisional member of it and that is as far as they would ever take us in there, so we can abide by it if we want to, and if we do not, we do not have to.

Thank you very much.

Senator HOLLINGS. I appreciate your listening. Thank you.

Senator CURTIS. Senator Thurmond.

STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Mr. Chairman, gentlemen of the committee——

Senator CURTIS. Senator Thurmond, we are delighted to welcome you here. We know of your interest in the hearings now going on and your excellent work in this field in the past, and we will be glad to have you proceed as you choose.

Senator THURMOND. Thank you very much, Mr. Chairman. I am a cosponsor of the beef amendment and a number of other bills before this committee, but at this time I shall say just a few words on textiles, and in order to save the time of the committee, if it is agreeable, I would ask that my full statement be put into the record and I just take about 2 minutes now.

Senator CURTIS. Without objection, so ordered.

Senator THURMOND. This committee has a unique opportunity to bring back a semblance of reason and reality to our foreign trade structure. It is unfortunate that the Senate does not more often assert its authority in the area of foreign trade. The responsibility of this body is a dual one—to advise and consent to treaties bearing on foreign trade, and to pass on legislative proposals dealing with foreign trade matters.

All too often our responsibility has been met, if at all, only in a passive way. It is encouraging for me to see the Senate seize the initiative and propose to take action on its own.

I lend my encouragement to you on the committee and urge that you approve the textile quota legislation. And I might add, Mr. Chairman, there is quota legislation on the other items that are before this committee. The situation is an urgent one involving the livelihood of many thousands of American workers. The textile industry is experiencing a severe slowdown, even before the Kennedy round reduction in tariffs becomes effective.

Textiles were operating at 86 percent of capacity in August of 1967, compared with 97-percent capacity in August of 1965 and August of 1966. Inventories are extremely high among the textile industries in my State, and throughout the Nation.

The need for action is apparent, and I urge this committee to take the appropriate steps, on behalf of the textile industry, which ranks second only to steel in importance to our national defense.

I wish to thank you, Mr. Chairman, and gentlemen of the committee, and my full statement will go in the record.

Senator CURTIS. Senator Bennett?

Senator BENNETT. I have no questions. I am delighted to have our colleague appear before us and having had a chance to look through his statement, I am sure it bears the same stamp of candor and objectivity that his verbal statement has made.

Senator THURMOND. I wish to thank the distinguished Senator.

Senator CARLSON. I have no questions. We appreciate your appearance very much.

Senator THURMOND. Thank you very much.

Senator CURTIS. Senator Thurmond, we do appreciate your appearance and it is hoped that your various interests will have the consideration of the committee.

Senator THURMOND. Thank you, sir.

(The complete prepared statement of Senator Thurmond follows:)

STATEMENT BY HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA, BEFORE SENATE FINANCE COMMITTEE IN SUPPORT OF TEXTILE IMPORT QUOTA LEGISLATION

Mr. Chairman and members of the committee, I welcome this opportunity to appear before you and testify in favor of much needed legislation to place reasonable restrictions upon textile imports. I express my appreciation to the chairman and to the members of this committee for scheduling this series of hearings and providing an opportunity for those of us so concerned with the future of one of America's most basic and important industries to discuss its problems and their solutions.

I, for one, wish that it were not necessary to come before this committee and testify in support of a legislative proposal designed, at best, to preserve the status quo for the domestic textile industry. It is inconceivable to me, and apparently to many others, that the welfare of this essential industry and the many thousands of employees dependent upon the industry could be imperiled by shortsighted foreign trade polices. We all believe in truly reciprocal foreign trade, which benefits both parties. At the same time, no one expects any country to sacrifice one of its most basic industries on the altar of unrestrained and unrestricted free trade. Yet, this is precisely the situation facing our domestic textile industry today. It is not an entirely new situation, but the reductions in textile tariffs agreed to at the recent Kennedy Round in Geneva have given the problem a new perspective.

A little historical summary appears to be in order. It was my privilege and pleasure to serve as one of the original members of the Special Subcommittee on Textiles of the Senate Committee on Commerce. The subcommittee, which was established in 1958, held many hearings and issued reports concerning the economic condition of the domestic textile industry. The early and detailed work of the textile investigating subcommittee was responsible, in large measure, for the negotiation of both the Short-Term Cotton Textile Agreement and the Long-Term Cotton Textile Arrangement.

Initially, neither the Short-Term Cotton Textile Agreement nor the Long-Term Cotton Textile Arrangement provided the assistance that the industry and others concerned with industry problems had hoped. They did provide the machinery, however, to work out a suitable solution to the cotton textile import problem with vigorous enforcement and administration. The LTA, or Long-Term Arrangement, which is a purely voluntary agreement between the United States and the chief cotton textile importing countries, provides the basic pattern for the textile proposal now pending before this committee. The textile proposal you are now considering has many advantages over the long-term agreement. First and foremost, it proposes to deal with the whole broad range of textile manufactures rather than single out one segment of the industry, as did the LTA with cotton. The need for an approach of this nature will be later documented.

Second, being a legislative approach, it does not depend upon the voluntary agreement of the importing countries, although it does recognize a need to allow them to participate in any possible expansion of the United States market.

Third, the proposal recognizes that Congressional action on the subject is both warranted and necessary of the textilie industry is to continue to be healthy and the contributing factor to our economy that it should and can be.

The textile industry is of utmost importance to the United States, and particularly to the State of South Carolina which I have the pleasure to represent in the Senate. In South Carolina, the textile and related industry is the largest single employer, providing more than 180,000 jobs. This is in excess of two thirds of the labor force employed in industry in the State of South Carolina. While an unrestrained flow of textile imports into the United States has a marked effect upon our economy, the balance of payments situation, and employment on a nationwide basis, it naturally has a more concentrated effect in the State of South Carolina. The sharply rising volume of textile imports poses a real and present danger to the future growth of the textile industry and places in jeopardy the gains which were made in the years that the Long-Term Textile Arrangement proved effective.

The situation at the present time is somewhat different than it was in the late fifties and early sixties. The trend in the countries providing the major amount of imports into the United States is such that the textile import problem has taken on entirely new dimensions. The statistics reveal that since 1961, the rate of growth of imports has far exceeded the rate of growth of our domestic textile and apparel market. During that period of time, textile imports have tripled, while United States' textile and apparel production has grown by only one third.

The chief concern in the early sixties was with cotton textiles and apparels. Since that time, the textile imports finding their way to the market in the United States are now of the multi-fiber variety—cotton, man-made, wool, and blends. As an example, let us examine the situation in the man-made fiber and man-made fiber textile-apparel segment of the industry.

In the past four years, imports of man-made staple fibers, filaments, and yarn have increased by 144 percent on a quality basis and by 133 percent on a dollar basis. Exports increased only 16 percent on a quantity basis and 3 percent on a dollar basis during this same period. As a result, the man-made fiber industry lost a healthy piece of its domestic market to imports and at the same time lost a sizable part of the export outlet for its production. Our nation lost $42 million of its hitherto favorable balance of trade in man-made fibers alone.

The picture is even more extreme in man-made fiber textile mill products and apparel. On a quantity basis, imports have shot up by 274 percent during the past four years, while exports have virtually stood still. On a dollar basis, imports of man-made fiber textile manufactures and apparel rose by 248 percent during the past four years, while exports increased only 21 percent in value during this period. As a result, our balance of trade in these products deteriorated by $189 million and the nation wound up 1966 with an absolute trade deficit of $44 million in man-made fiber textile mill products and apparel.

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When you put man-made staple fiber and filament yarns together with man-made fiber textile mill products and apparel, our trade balance has shrunk from a favorable figure of $224 million in 1962 to only $43 million in 1966. In combination, imports of these products shot up by 210 percent since 1962, with exports rising only 12 percent.

By mid 1966 this great flood of man-made fiber and man-made fiber textile mill products and apparel was too much for the domestic market to absorb. The total domestic and import supply so saturated the market that it softened to such an extent that textile mills cut back the number of shifts worked, reduced the number of hours of employment, and even furloughed employees.

The man-made fiber producers were also severely affected both by the direct effect of imports of these products and by the loss of sales of fiber to their textile mill customers whose markets were disrupted by the tide of fabric and apparel imports. From mid 1966 to the end of the year, there occurred a loss of 39,000 jobs in the man-made fiber textile-apparel industry group, and such major fiber producers as duPont and Monsanto announced a sharp loss of earnings for the year.

The problem here is the virtually unimpeded access which foreign-produced man-made fibers and textiles have to the United States market. What is obviously needed—and needed urgently—is some effective control over the rate of increase. It must be kept within bounds so that the market can absorb both domestic output—increasingly shut out of foreign markets—and a reasonable share of imports.

The problem in this segment of the industry will be severely aggravated when the cuts negotiated in Geneva during the Kennedy Round come into effect.

The situation in the man-made fibers portion of the industry is used merely to illustrate the breadth of the problem which import legislation covering the whole broad range would remedy. Tariff cuts in all areas of textile products have been negotiated and will become effective in graduated steps over the next few years. The effect of these tariff cuts will be felt all across the industry.

While the cotton segment of the textile industry has had some benefit as a result of the LTA, they have by no means been immune from the problems created by excessive imports. In 1966 the cotton bale equivalent of cotton textile product imports passed the one million mark—a rise of approximately 300,000 bales over the 1965 level. Although there is an absolute quota on the importation of upland type raw cotton imports, the quota does not extend to textile products manufactured from cotton. The United States is importing almost 35 times as much semi-finished and finished manufactured cotton textiles as the quota would allow, if all the imports came in as upland type raw cotton.

I mentioned previously that in excess of two thirds of the industrial employment in the State of South Carolina is in the textile and related industries. South Carolina produces on an annual basis 25 percent of the cotton, synthetic, and silk fabrics in the nation. The State also produces 42 percent of all the cotton cloth in the nation on an average annual basis.

The problems in the textile industry will be felt nationwide. They will be felt with particular severity in the State of South Carolina and in the other textile producing states. This is a matter of preserving present job capacity and creating new job capacity for the expanding work force. An increase in imports of textile products means an export of textile employment from the United States to the country where the imports originate.

I am concerned that, when we speak of this problem in terms of cold statistics, we may lose sight of the fact that it is ultimately human lives with which we are dealing. Every additional yard of textile fabric, or every additional item of textile apparel entering the United States market from abroad, reduces the job opportunities for workers in the United States.

This committee is to be congratulated for showing an awareness of the problems involved. I urge you to take favorable action along the lines recommended by the Textile Investigating Subcommittee in its March, 1961, report: that "Quotas on textile mill products and on garments and apparel and on man-made fabrics, staples, filaments, and filament yarn be established by country and category of product."

The CHAIRMAN. Now, the next is Hon. Halbert M. Jones, American Textile Manufacturers Institute.

STATEMENT OF HALBERT M. JONES, AMERICAN TEXTILE MANUFACTURERS INSTITUTE

The CHAIRMAN. I believe you have a group with you. Do you have some people who want to join you?

Mr. JONES. Yes. May I introduce them as I get to them?

The CHAIRMAN. Yes.

Mr. JONES. Thank you.

Mr. Chairman, distinguished members of the committee, let me first of all, express my appreciation and those associated with me for the very deep interest your committee is taking in these problems of foreign trade and the privilege given to us to appear before you. I am Halbert Jones, president of Waverly Mills, Laurinburg, N.C. I represent the American Textile Manufacturers Institute, of which I am a past president and also the immediate past chairman of its international trade committee. My appearance today, however, is on behalf of the entire textile industry of the United States as that term is used in this testimony. We have furnished a copy of our testimony to the committee and marked as exhibit 1 of that testimony is a list of the trade associations which I have the honor to represent. There are 23 of those in number. And the scope of the membership covers the entire industry. Representatives of many of these associations are here today and I ask permission of the committee to introduce them to you, if I may.

For the National Cotton Council Mr. William L. Lanier, president of the Georgia Farm Bureau, producer, and director of the National Cotton Council; Mr. J. Banks Young, Washington representative of the National Cotton Council; E. Fontaine Brown, president of the Manmade Fiber Producers Association; Eugene L. Stewart, Washington counsel for that association. Mr. Fred Dent, president, American Textile Manufacturers Association; Mr. R. C. Jackson, executive vice president; and Dr. Buford Brandis, international trade director, who is here with me; Mr. Merrill S. Robie, executive vice president of the Columbia Rope Co., chairman of the executive committee, Cordage Institute; J. M. Chambers, Washington representative of that institute. Mr. Morton Darman, chairman of the National Association of Wool Manufacturers; Ed Marsh, executive secretary of the National Wool Growers Association. Mr. Fulton Rindge, Jr., chairman of the Northern Textile Association and Mr. William F. Sullivan, who is president; Carl Priestland, consulting economist, American Apparel Manufacturers Association; James J. McAvoy, director of research, National Knitted Outerwear Association.

There are undoubtedly others here associated with others of the 23 groups whose names I do not have and if we may, we would like to complete that record when this testimony has been completed.

Deferring to the chairman's request and recognizing the great time pressures under which the committee is operating, we have undertaken in this single presentation to represent the views of the great variety of sectors in the many-faceted textile industry of the United States. But at the same time, we trust that this integrated statement will not cause your committee to lose sight of the many who would like to express themselves separtely, but who are unanimous in supporting the views represented here.

While the National Cotton Council will present a brief statement separately, I am authorized to say that it strongly supports legislative action to establish effective controls on imports of textile articles. The council favors action which will establish and maintain specific quantitative controls on imports of textile raw materials and products thereof at levels which will not usurp cotton's current markets and their future growth.

Mr. Morton Darman will testify on the wool textile import situation on behalf of the National Association of Wool Manufacturers and the National Wool Growers Association.

On behalf of the Cordage Institute which represents virtually all U.S. rope producers, I am also authorized to express its concurrence in this statement. The Cordage Institute is submitting a statement for the record which discusses its position and suggests that any legisation dealing with imports of textile articles clearly include cordage products since such products are considered a part of the textile industry.

Depending upon the context, the term "textile industry" can be given various meanings. We wish for it to be understood that in this appearance we use the term "textile industry" to mean all establishments engaged in the production in the United States of "textile articles."

The term "textile articles" in turn, is defined in the legislation pending in the Congress to include wool tops; cotton, wool, and manmade fiber spun yarn; manmade staple fiber, filaments, and filament yarn; and fabric, apparel, and all other textile manufactures whether of cotton, wool, or manmade fiber or a combination or blend of these fibers with each other or in combination with other fibers.

Unless the context of our remarks otherwise indicates, the data which we shall present in this testimony are intended to encompass the "textile industry" as we have just defined it.

The trade associations for which I appear are united in their support of the enactment of legislation to accomplish equitable control of access to the U.S. market by foreign suppliers of textile articles. That is the purpose of the Hollings bill, which has been so ably presented by Senator Hollings and cosponsored by 68 Senators. There are also pending in the House, addressed to the same purpose, the Mills/Landrum/Dorn and similar bills (H.R. 11578 and similar bills introduced by Mr. Mills and 180 other Members of the House).

There is a vast background of study of the textile import problem by the Congress and the executive branch of the Government. Beginning more than 30 years ago at the time of the establishment of our reciprocal trade agreement policy with the recommendation to President Roosevelt of a Cabinet committee, of which Secretary of State Cordell Hull was a member, the principle has existed that it is both desirable and necessary to control excessive textile imports when they are seriously affecting the domestic industry. In the Truman administration, during which the General Agreement on Tariffs and Trade (GATT) was developed, a tariff quota was negotiated on woven wool cloth, which became effective upon a 5-percent import penetration of the domestic market. The Eisenhower administration took similar action in negotiating quotas on importing of cotton textile products from Japan for the period 1957-61.

In 1961, President Kennedy established his seven-point program of assistance for the textile industry in which he directed the State Department "* * * to get the best possible relief, not only for cotton but for other fibers." The all-fiber approach was taken up by the Senate Subcommittee on Textiles, chaired by Senator Pastore, which held a number of hearings and issued a number of reports on the subject. For example, as in its earlier reports, that subcommittee in a report of September 24, 1963, again recommended "the adoption of an all-fiber approach to the regulation of textile imports." Such an approach was contemplated in President Kennedy's textile program announced in May 1961. Unfortunately, it was only partially implemented by the GATT cotton textile arrangements and the bilaterals negotiated thereunder.

The textile import problem would not have reached the advanced and distressing stage which confronts us today if an all-fiber approach had been promptly implemented by a truly effective international agreement embracing wool and manmade fiber textile articles, as well as cotton textile products, or by bilateral agreements or unilateral action as so many of our trading partners in the General Agreement on Tariffs and Trade (GATT) have done, or through the enactment of legislation similar to that now pending in the Congress.

These actions were conterporaneous with this Nation's execution and implementation of GATT, and hence deemed consistent with the validity under GATT of special measures to prevent market disruption and domestic injury from swiftly rising imports of textile articles. This GATT-era history in the textile area shows that the purpose of the pending legislation, so consistent with its history, is likewise consistent with our undertakings under GATT.

There is no need before this committee to stress the importance of the textile industry but I should like to cite just a very few figures.

Employment in the textile industry in July-August 1967 totaled 2,458,800 workers directly.

Wage and salary payments to textile industry employees as of July-August 1967 are at the annual rate of $11,279,500,000. As this committee is well aware, U.S. textile industry wages are the highest in the world. To illustrate, in 1966 the average hourly earnings of wage earners in textile mills in the United States was $1.93 by comparison with 66 cents for men in Japanese mills and 54 cents in Italy. For apparel, average hourly earning were $1.87 in the United States compared with 32 cents in Japan; while in manmade fiber manufacturing the average was $2.71 in 1966 in the United States compared to 81 cents in Japan and 58 cents in Italy.

Other expenditures by the textile industry include the following:

Fuel and power purchases in 1967 at an annual rate of $420 million.

Tax payments to State and local governments in 1967 estimated at $1.131 million.

Federal income tax payments in 1967 estimated at an annual rate of $828 million.

Annual expenditures for plant and equipment in 1967 at the rate of $1,451 million.

Gross investment of the textile industry in property, plant, and equipment as of the second quarter of 1967 about $13,696 million.

The value added by manufacture by the textile industry in 1967 is at an annual rate of about $16,945 million.

The statistics I have just stated, which do not include the entire effect on the economy of the Nation—omitting, for example, purchases of raw materials and transportation costs—demonstrate that the textile industry is an industrial complex of tremendous size and importance to the national economy.

Textile products, including apparel, carry priorities of tremendous importance under normal peacetime conditions and particularly in a situation of national emergency. They are a prime necessity in wartime both for the military and for essential civilian uses, including not only ordinary items of daily consumption but a great variety of goods in industry, in manufacturing processes, or as components in production of other products. Without these basic items other war essential industries would grind to a halt.

The textile industry's key role in the Nation's defense system is most recently illustrated in Vietnam. The annual rate of deliveries of textile fabrics to the U.S. military forces in 1967 is 241.3 million pounds. This represents nearly a sixfold increase in the rate of deliveries compared with just 2 years ago.

Only a diversified textile industry healthy in all areas can supply a U.S. Military Establishment which is equally diversified in its textile requirements. The erosion of different textile industry segments by imports, as well as the depressing effect of a constantly expanding overall total of imports on an unregulated basis, is not consistent with our military responsibilities.

The influence of the textile industry on the Nation's economy is widely distributed throughout the length and breadth of the land. The industry's 2.4 million employees are distributed among 33,000 establishments located in 45 States. This remarkable diffusion of textile manufacturing actively throughout the Nation has special significance in your committee's consideration of the textile import problem.

No region of the Nation is more acutely affected by the textile import problem than that area which has been the object of special congressional solicitude; namely, Applachia. A belt of counties surrounding the Appalachian region and which are important to economic development within the region are similarly affected. Nationally, textile industry employment accounts for 13 percent of all manufacturing jobs, but in the Appalachian region as a whole 26 percent of all manufacturing jobs are directly in the textile industry. If we exclude the counties in New York, Pennsylvania, and Ohio which are part of the Appalachian region, 41 percent of all manufacturing jobs in the remainder of the region are directly in the textile industry. In all, the textile industry supplies employment for 453,000 residents of the Appalachian region.

Further, if the boundaries of the Appalachian region are extended by 50 miles, it will encompass establishments in the textile industry accounting for 1,022,000 jobs—nearly half the total direct employment in the textile industry.

The same factors which result in the early choice by developing countries of textile manufacturing is a source of employment for their citizens apply in equal measure to the creation of job opportunities in the less-developed areas of the United States.

Your committee has under consideration legislation, the purpose of which is to provide for the regulation of imports of textile articles so as to achieve equitable access to the U.S. market for domestic and foreign suppliers of such articles. The need for such legislation is dramatically indicated by the increasing deficit in foreign trade in textile articles. Imports of textile articles, in dollar terms increased by 101 percent during the period 1960–66 in comparison with an increase in exports of only 5 percent. Our Nation's balance of trade in textile articles declined from a slim surplus of $400,000 in 1960 to a whopping deficit in excess of one-half a billion dollars in 1966.

In terms of the quantities of imported and exported textile articles, we find that in every year except 1961 during the period 1960–67 the United States has sustained an absolute deficit in its trade.

In terms of quantities, imports in 1966 reached 9.9 percent of the domestic consumption of textile articles in the United States. This ratio has shown a steady increase from the level of penetration of 6.1 percent experienced in 1961, the year when the current textile import program was inaugurated.

In 1966, if the textile articles imported had been produced in this country, there would have been required 253,803 jobs to produce an equivalent volume of goods. During the same year, the textile articles exported generated approximately 142,827 jobs. Hence, the net impact of foreign trade on the U.S. textile industry can reasonably be said to have been a net loss of nearly 111,000 jobs in 1966.

Over the past 10 years employment in the textile industry has increased little more than 1 percent a year, while average hourly earnings have increased at the rate of about 3 percent a year. Output has increased considerably, but imports have more than doubled during this period. In addition, domestic output declined abruptly in 1967, and the major cause for this recession has been the great increase in imports which occurred in 1966.

Net profits, after taxes, expressed as a percentage of shareholders' equity, for those sectors of the textile industry for which FTC-SEC profit data are available, has shown a precipitous decline. Rising from the level of 6.3 percent for the average of 1958–60, this ratio reached 11.8 percent in 1965, a reasonably respectable ratio. It dropped slightly in 1966 and then sharply to an annual rate of 6.5 percent based on the results of the first two quarters of 1967. By comparison the ratio for all manufacturing industries in the early part of 1967 was at 11.8 percent.

Thus, under the impact of the circumstances described in this testimony, the earnings performance of those sectors in relation to shareholders' investment dropped by 45 percent between 1965 and 1967, returning to the approximate level of the average of 1958–60, a period of acute economic distress for the entire textile industry.

In 1967, imports are being received at an annual rate of 887.2 million pounds, and domestic consumption of textile articles in fiber equivalent pounds is running at an annual rate of 9,206.2 million pounds. Therefore, imports represent 9.6 percent of domestic consumption thus far in 1967, about the same rate as experienced in 1966. The ratio for cotton textile products was 5.2 percent in 1961 when the GATT cotton textile controls were instituted.

This measurement of import penetration demonstrates the seriousness of the textile import problem. Further, it is important to stress

that the imports on a fiber equivalent pound basis have increased by 90.5 percent between 1960 and 1966, while domestic consumption has been rising more slowly, at less than half the rate of increase of imports.

The current 1967 level of imports means a substantial displacement of jobs, estimated at 246,000 which would otherwise exist in the United States with the attendant loss to the Nation of the economic effect of payroll alone of $1,150 million, as well as capital expenditures and other expenditures which would be related to the production now covered by that level of imports. We in the textile industry believe that these losses of employment and economic activity in the Nation are so great that action should be taken by the Congress without delay to control this situation by a system of import regulation which will allow the domestic industry to share on a fair and equitable basis with imports of textile articles in the present and future U.S. market.

In the complex textile industry the solutions to trade problems lie not in the doctrinaire free trade position nor in the protectionist urge to reduce substantially or eliminate imports. Rather the solutions lie in moderate, balanced, and middle-of-the-road approaches which permit increasing but controlled access to growing markets by those who would export to us, while preserving for an efficient domestic industry its opportunity to continue its growth and enlarge its employment. Actions to accomplish these objectives can readily be administered as demonstrated by LTA experience, and the results would surely be in accord with our Nation's best interests.

A fact of great importance in your consideration of the need for positive law to establish equitable regulation of imports of textile articles on an all-fiber basis as was recognized as necessary by Senator Pastore's Textile Subcommittee in its 1959 report and reiterated of imports in the manmade fiber sector is greater than in the cotton producing capacity around the world. From the late forties to the midsixties, such capacity has increased by 182 percent in the United States, but in the foreign free word by 400 percent, and in the world as a whole by more than 300 percent.

Manmade fibers can be utilized on most of the existing spinning and weaving equipment for natural fibers. This characteristic of the fibers means that all nations producing textile products have a capacity to utilize manmade textile fibers and to produce manmade fiber textile products in the fabric and apparel constructions which are popular in the U.S. market.

The rapid present and projected growth of manmade fiber producing capacity in developing, as well as the developed nations, has profound implications for the future composition of the U.S. import trade in textile articles. It is evident that the recent rate of growth of imports in the manmade fiber sector is greater than in the cotton and wool sectors of the textile industry.

The Food and Fiber Commission has projected per capita fiber consumption by type of fiber for the United States and other nations of the world through the year 1980. This projection indicates that the share of cotton in the per capita consumption of textile fibers in the United States will decline from 65 percent for the average of the period 1959–61, to 41 percent in 1980. Wool will decline from 8 percent to 5 percent. Cellulosic manmade fibers (rayon and acetate) will

decline from 17 percent to 14 percent, but the share of per capita consumption accounted for by the noncellulosic manmade fibers will leap from 10 percent to 40 percent.

Whether or not the projection made by the Food and Fiber Commission of the per capita consumption of manmade fibers by the year 1980 is fully verified by the passage of time, it is obvious from the trends already established that consumption of manmade fibers in relation to that of other fibers will continue to increase and, accordingly, that a major and increasing proportion of the import problem in textile articles will relate to manmade fibers, with cotton and wool textile products continuing to be substantial factors in relation to that problem.

The U.S. textile industry is faced with extreme difficulty in increasing its participation in the world market for textile articles.

During the period 1960–66, U.S. imports of textile articles in dollar terms increased by 101.3 percent, while exports rose by only 5.2 percent.

The inability of the U.S. textile industry to achieve any significant increase in its exports is due to a variety of factors over which neither the industry nor the U.S. Government has any real control.

Not only do U.S. textile export prices reflect the higher costs associated with our standard of living, but the nations of Western Europe impose frontier taxes and other charges which make export by the United States difficult. Japan exercises tight control over imports of textile articles competitive with Japanese products, and neither the United States nor any other of the principal textile-producing countries of the world are able to export any but token quantities of textile articles into Japan. For instance, in 1966, the United States shipped $11 million worth of textile articles to Japan and imported $437 million worth from Japan.

Many of the principal foreign textile-producing nations of the world also subsidize, or promote, the production for export of textile articles through systems of bounties or grants in various forms. European nations reserved the right under article XXXV of GATT to impose quantitative limitations on imports from Japan, as they similarly limit imports from other low-wage nations of Asia. The effect has been to shunt goods into other markets, particularly the United States, and thus tend to limit the United States to is own domestic market as the principal outlet for textile articles produced by the U.S. industry.

For these reasons, the U.S. textile industry cannot look to world markets for the offtake of textile articles which are displaced from the U.S. market by the swiftly rising tide of low-cost imports from Asia. The domestic market remains the principal outlet for textile articles produced by the U.S. textile industry.

The urgency of import control when market penetration by foreign cotton textile products reached 5.2 percent of the domestic market was clearly recognized by the Kennedy administration and significant action was taken through the GATT long-term cotton textile arrangement in an attempt to prevent market disruption and allow he U.S. textile industry to share in the future growth of its domestic market.

The experience of recent years proves conclusively that import controls are needed on textile articles of wool and manmade fiber as well as of cotton. The dimensions of the overall textile import threat

now far exceeds that which existed in 1961 when the original GATT control action on cotton textiles was taken. Technology and market developments in recent years, strongly reinforced by the import trends in manmade fiber textile articles, together with the import levels in cotton and wool textile products, imperil the welfare of the entire U.S. textile industry complex.

Indeed, more effective action than that set in motion by the Kennedy administration in 1961 with respect to cotton textile products is now required on an all-fiber basis. The action proposed in the pending legislation is a way to assure that the textile industry will be able to make its critically important contribution toward the national goal of full employment, with particular reference to the special problems of Appalachia and other poverty areas of our country.

Tariff cuts made on U.S. textile articles in the Kennedy round just concluded makes action called for by the pending legislation even more urgent, for the vast increase of textile imports to date has developed under the existing higher tariff rates which we have now.

The pending legislation recognizes the trends in fiber consumption in the United States and the foreign world; it recognizes the rapidly developing capabilities of other nations of the world to produce a growing volume of textile articles of manmade fiber as well as of cotton and of wool textile products for export to the United States and other developed markets. This legislation has as its central concept the spirit of equity and justice to both domestic and foreign interests.

The U.S. textile industry is the most efficient in the world, with huge annual expenditures for new machinery and research. Modern textile technology is available, however, over all the world; and hence, the U.S. industry cannot be competitive in its home market with the very low-wage producers overseas. Therefore, the U.S. Government urgently needs to take substantive action as provided in the pending legislation to regulate access to this highly important textile market by beneficiaries of the jet age legal anachronism that it is perfectly proper to violate the Fair Labor Standards Act beyond the 12-mile limit.

Thank you, Mr. Chairman, for permitting us to make this presentation, and I would like for Dr. Darman to make his at this time, if it is agreeable to you, for the wool manufacturers.

(The prepared statement, with attachments, of Mr. Jones follow:)

STATEMENT OF HALBERT M. JONES ON BEHALF OF THE UNITED STATES TEXTILE INDUSTRY

Mr. Chairman and members of the Committee: I am Halbert M. Jones, President of Waverly Mills, Inc., of Laurinburg, North Carolina. I represent the American Textile Manufacturers Institute, of which I am a past president and also the immediate past chairman of its International Trade Committee. My appearance here today, however, is on behalf of the entire "textile industry" of the United States as that term is used in this testimony.

I furnish for the Committee a list, marked "Exhibit I", of the trade associations for which I appear and the scope of their memberships. Representatives of many of those associations are here with me, and I ask permission to introduce them to the Committee.

Deferring to the Chairman's request and recognizing the great time pressures under which the Committee is operating, we have undertaken in this single presentation to represent the views of the great variety of sectors in the many-faceted textile industry of the United States. But at the same time, we trust that this

integrated statement will not cause your Committee to lost sight of the many who would like to express themselves separately, but who are unanimous in supporting the views represented here.

I am authorized to say that the National Cotton Council, in behalf of those who produce, handle, and process raw cotton and cottonseed, strongly supports legislative action to establish effective restraints on imports of textile articles. The Council favors action which will establish and maintain specific quantitative controls on imports of textile raw materials and products thereof at levels which will not usurp cotton's current markets and their future growth. While the Council is not scheduled to testify, it is filing a statement for the record which covers its positions in detail.

Mr. Morton Darman will testify on the wool textile import situation on behalf of the National Association of Wool Manufacturers and the National Wool Growers Association.

On behalf of the Cordage Institute which represents virtually all U.S. rope producers, I am also authorized to express its concurrence in this statement. The Cordage Institute is submitting a statement for the record which discusses its position and suggests that any legislation dealing with imports of textile aricles clearly include cordage produce since such products are considered a part of the textile industry.

DEFINITION OF THE "TEXTILE INDUSTRY"

Depending upon the context, the term "textile industry" can be given various meanings. We wish for it to be understood that in this appearance, we use the term "textile industry" to mean all establishments engaged in the production in the United States of "textile articles."

The term "textile articles" in turn is defined in the legislation pending in the Congress to include wool tops; cotton, wool, and man-made fiber spun yarn; man-made staple fiber, filaments, and filament yarn; and fabric, apparel, and all other textile manufactures whether of cotton, wool, or man-made fiber or a combination or blend of these fibers with each other or in combination with other fibers.

Unless the context of our remarks otherwise indicates, the data which we shall present in this testimony are intended to encompass the "textile industry" as we have just defined it.

POSITION OF THE TEXTILE INDUSTRY ON THE PENDING LEGISLATION

The trade associations for which I appear are united in their support of the enactment of legislation to accomplish equitable control of access to the U.S. market by foreign suppliers of textile articles. That is the purpose of the Hollings bill pending in the Senate (S. 1796, cosponsored by 68 Senators). There are also pending in the House, addressed to the same purpose, the Mills/Landrum/Dorn and similar bills (H.R. 11578 and similar bills introduced by Mr. Mills and 180 other members of the House).

BACKGROUND OF THE TEXTILE IMPORT PROBLEM

The textile industry is grateful for the initiative shown by this Committee in scheduling hearings on pending legislation to achieve ordely trade in textile articles through the use of flexible import quotas. This initiative comes against a vast background of study of the problem by the Congress and the Executive Branch of the Government:

1. More than 30 years ago during his first term of office—the period in which the original Reciporocal Trade Agreement policy was instituted—President Roosevelt, conscious of the disruptive effect of imports on the U.S. textile industry, directed that a study be made of the situation with recommendations for remedial action. The Committee which conducted the study was composed of the Secretaries of State, Commerce, Agriculture and Labor. It is particularly significant that the author of the Reciprocal Trade Agreement concept, Secretary of State Cordell Hull, was a member of this Cabinet Committee which recommended in part ". . . that to deal with this special situation [recent imports of cotton textile products from Japan] steps be taken to control these imports preferably by means of a voluntary and friendly agreement with Japan on limitations of shipments of cotton products to the American market." Hence the record is clear that concurrent with the inception of the Reciprocal Trade Agreement policy of our Government, and deemed consistent therewith by the orignators of that policy, there was established the principle that it is both desirable and

necessary to control excessive textile imports when they are seriously affecting the domestic industry.

2. The General Agreement on Tariffs and Trade (GATT) was developed during the Truman Administration. That same Administration negotiated a tariff quota on woven wool cloth under GATT which provided that when imports exceeded 5% of domestic production, the tariff on imports of such articles would be substantially increased.

3. The Eisenhower Administration, 1956–1960, invoked the terms of the Geneva reservation on imports of woven wool cloth, and it negotiated voluntary quotas on imports of cotton textile products from Japan for the period 1957–1961.

4. During his campaign for the Presidency, Senator John F. Kennedy wrote to Governor Hollings of South Carolina on August 31, 1960—

> "... I agree ... that sweeping changes in our foreign trade policies are not necessary. Nevertheless, we must recognize that the textile and apparel industries are of international scope and are peculiarly susceptible to competitive pressure from imports ... A comprehensive industry-wide remedy is necessary."

5. Shortly after his inauguration, President Kennedy followed up on that statement and appointed a Cabinet Committee to undertake a continuing study of the problems of the textile industry. In accordance with the recommendations of that Committee, President Kennedy established a seven-point program of assistance for the textile industry which included a directive to the State Department through a conference of the principal textile exporting and importing countries to seek by agreement a basis for foreign trade in textile articles that would avoid undue disruption of established industries. Under this mandate, the Short-Term and Long-Term Cotton Textile Arrangements were negotiated for the period 1961–1967, including bilateral arrangements thereunder, and an extension to 1970.

6. Regettably the instructions of President Kennedy to the State Department, communicated by letter dated June 30, 1961, to Senator Pastore, Chairman of the Subcommittee on Textiles of the Committee on Commerce of the Senate, "to get the best possible relief, not only for cotton but for other fibers" were not accomplished.

7. The Committee on Commerce of the Senate has maintained a standing Subcommittee on Textiles. This Committee, which had held previous hearings largely with respect to the problems of cotton and wool textile products, held further hearings during the period 1961–1963 concerning the problems of the textile industry. In three further reports of its findings issued by the Committee, it is clear that it took up and agreed with the all-fiber approach initiated by President Kennedy in 1961:

> Its first report, issued March 14, 1961, recommended that "quotas on textile mill products and on garments and apparel, and on man-made fiber staple, filaments, and filament yarn, be established by country and by category of product."
>
> The Subcommittee's second report, issued April 2, 1962, taking note of the cotton textile arrangement, urged the Executive Department "to adopt an all-fiber approach to the regulation of textile imports."
>
> In its third report on September 24, 1963, the Senate Subcommittee on Textiles found that the Long-Term Cotton Textile Arrangement "has caused increased pressure on other sectors of the textile industry from imports of man-made fibers or blends," and it again recommended "the adoption of an all-fiber approach to the regulation of textile imports."

The textile import problem would not have reached the advanced and distressing stage which confronts us today if the Subcommittee's advice had been promptly implemented by a truly effective international agreement embracing wool and man-made fiber textile articles or by bilateral agreements or unilateral action as so many of our trading partners in the General Agreement on Tariffs and Trade (GATT) have done, or through the enactmentof legislation similar to that now pending in the Congress.

These actions were contemporaneous with this Nation's execution and implementation of GATT, and hence deemed consistent with the validity under GATT of special measures to prevent market disruption and domestic injury from swiftly rising imports of textile articles. This GATT-era history in the textile area shows that the purpose of the pending legislation, so consistent with this history, is likewise consistent with our undertakings under GATT.

IMPORTANCE OF THE TEXTILE INDUSTRY TO THE NATIONAL ECONOMY

Very briefly I should like to sketch for you the main dimensions of the textile industry's importance to the national economy. In doing so I shall indicate on the basis of the latest available Government and industry data, and projections of those data to the current period based on informed estimates, the present level of activity in the textile industry. (The detail and source of these data are shown in the statistical appendix to my testimony.)

Employment in the textile industry in July-August 1967 totaled 2,458,800 workers.

Wage and salary payments to textile industry employees as of July-August 1967 are at the annual rate of $11,279,500,000. As this Committee is well aware, U.S. textile industry wages are the highest in the world as indicated by Statistical Appendix Table I.

Fuel and power purchases by the textile industry in 1967 are at an annual rate of $420 million.

Tax payments to State and local governments by the textile industry in 1967 are estimated at $1,131 million.

Federal income tax payments by the textile industry in 1967 are estimated at an annual rate of $828 million.

Annual expenditures for plant and equipment by the textile industry in 1967 are at the rate of $1,451 million.

Gross investment of the textile industry in property, plant, and equipment as of the second quarter of 1967 is about $13,696 million.

The *value added by manufacture* by the textile industry in 1967 is at an annual rate of about $16,945 million.

The statistics I have just stated, which do not include the entire effect on the economy of the nation (omitting for example purchases of materials and transportation costs), demonstrate that the textile industry is an industrial complex of tremendous size and importance to the national economy.

MILITARY IMPORTANCE OF THE TEXTILE INDUSTRY

It hardly appears necessary that we restate the defense essentiality of textile articles. Textile products including apparel carry priorities of tremendous importance under conditions of national emergency and are a prime necessity in wartime both for the military and for essential civilian uses, including not only ordinary items of daily consumption but a great variety of goods in industry, in manufacturing processes, or as components in production of other products. Without these basic items other war essential industries would grind to a halt.

The textile industry's key role in the Nation's defense system is most recently illustrated in Viet Nam. Defense production by the textile industry has been stepped up sharply as a result of the conflict there.

The annual rate of deliveries of textile fabrics to the U.S. military forces in 1967 is 241.3 million pounds. This represents nearly a sixfold increase in the rate of deliveries compared with just two years ago.

Only a diversified textile industry healthy in all areas can supply a U.S. military establishment which is equally diversified in its textile requirements. The erosion of different textile industry segments by imports, as well as the depressing effect of a constantly expanding overall total of imports on an unregulated basis, is not consistent with our military responsibilities.

IMPORTANCE OF THE TEXTILE INDUSTRY TO APPALACHIA AND THE NATION

The influence of the textile industry on the Nation's economy is widely distributed throughout the length and breadth of the land. The industry's 2.4 million employees are distributed among 33,000 establishments located in 45 States. This remarkable diffusion of textile manufacturing activity throughout the Nation has special significance in your Committee's consideration of the textile import problem.

The industry is so widely distributed and so important to the great majority of the States in the Nation that the harmful effect of the sharply rising import tide cannot be localized or restricted to particular areas of the country.

No region of the Nation is more acutely affected by the textile import problem than that area which has been the object of special Congressional solicitude, namely Appalachia. A belt of counties surrounding the Appalachian Region and

which are important to economic development within the Region are similarly affected. Nationally, textile industry employment accounts for 13 percent of all manufacturing jobs, but in the Appalachian Region as a whole 28 percent of all manufacturing jobs are directly in the textile industry. If we exclude the counties in New York, Pennsylvania, and Ohio which are part of the Appalachian Region, 41 percent of all manufacturing jobs in the remainder of the Region are directly in the textile industry. In all, the textile industry supplies employment for 453,000 residents of the Appalachian Region.

Further, if the boundaries of the Appalachian Region are extended by 50 miles, it will encompass establishments in the textile industry accounting for 1,022,000 jobs—nearly half the total employment in the textile industry.

The same factors which result in the early choice by developing countries of textile manufacturing as a source of employment for their citizens apply in equal measure to the creation of job opportunities in the less developed areas of the United States. From the data I have given it must be evident to you that the textile industry is of major importance to economic development programs for Appalachia.

THE TEXTILE INDUSTRY TRADE DEFICIT

Your Committee has under consideration legislation, the purpose of which is to provide for the regulation of imports of textile articles so as to achieve equitable access to the U.S. market for domestic and foreign suppliers of such articles. The need for such legislation is dramatically indicated by the increasing deficit in foreign trade in textile articles. Imports of textile articles, in dollar terms, increased by 101% during the period 1960–66 in comparison with an increase in exports of only 5%. From slightly more than one-half billion dollars in 1960, imports of textile articles increased to more than one billion dollars in 1966. Exports remained relatively stagnant between the $500 and $600 million mark during this period. As a consequence, our Nation's balance of trade in textile articles declined from a slim surplus of $400,000 in 1960 to a whopping deficit in excess of one-half a billion dollars in 1966.

Thus far in 1967 imports have maintained the annual rate of over $1 billion while exports have dropped sharply to the annual rate of $400 million. As a consequence it is indicated that the foreign trade deficit in textile articles will rise above $600 million in this year.

If we reckon our balance of trade in textile articles in terms of the equivalent pounds of fiber represented by the imported and exported textile articles, we find that in every year except 1961, during the period 1960–67, the United States has sustained an absolute deficit in its trade.

In terms of these physical units, imports in 1966 reached 9.9% of the domestic consumption of textile articles in the United States. This ratio has shown a steady increase from the level of penetration of 6.1% experienced in 1961, the year when the current textile import program was inaugurated.

THE IMPACT OF ADVERSE FOREIGN TRADE TRENDS ON EMPLOYMENT IN THE TEXTILE INDUSTRY

In 1960, the net balance of employment due to U.S. foreign trade in textiles was a deficit of 16,930 jobs. That is to say that the employment equivalent of imports exceeded the employment equivalent of exports by that amount. By 1966, this employment deficit from foreign trade had risen to 110,976 jobs.

In that year, if the textile articles imported had been produced in this country, there would have been required 253,803 jobs to produce an equivalent volume of goods. During the same year, the textile articles exported generated approximately 142,827 jobs. Hence, the net impact of foreign trade on the U.S. textile industry can reasonably be said to have been a net loss of 110,976 jobs in 1966. The loss is moderately lower in 1967 at the current rate, but still close to the 100,000 job loss mark.

In evaluating, as just stated, the impact of rising imports and declining exports on employment in the textile industry in the United States, we have measured by mill consumption of textile fibers the relationship between total employment in the textile industry and production of textile articles.

The mill consumption of textile fibers is an indication of activity at every level of the textile industry, though it directly measures only output in the textile mill products sector of the industry. The flow of materials through the textile industry complex from fiber to fabric to apparel and other finished textile

articles is necessarily related to the consumption of the basic unit of textile material, the fiber which becomes the basis for the fabric which, in turn, becomes the basis for apparel and other finished textile manufactures.

By relating the mill consumption to total employment in the textile industry, it is possible to derive an indication of the amount of textile industry employment associated with each million pounds of mill consumption of textile fiber. When this factor is then applied to the volumes of imports and exports, also expressed in terms of the pound equivalent of textile fibers contained in the textile articles moving in foreign trade, an approximation of the U.S. employment counterpart of the imports and exports can realistically be derived.

The impact of adverse foreign trade developments on employment in the textile industry in the United States may also be expressed by indicating that the job displacement by imports has risen 85,640 jobs (that is, by 50.9%), 1960–1966, while the job creation due to exports has declined 8,406 jobs (that is by 5.3%). This accounts for a net adverse change in employment due to foreign trade, from a deficit of 16,930 jobs to a deficit of 110,976 jobs (that is by 555.5%) during this period.

Other measurements of the job displacement by textile imports have been made. Recently, the American Textile Manufacturers Institute retained two internationally known engineering firms to measure the employment impact of 1966's textile-apparel import level. Their determination of the U.S. manpower requirements to produce these items, on a product category-by-category basis, assuming a 40-hour week and a 50-hour week work year, indicates that a minimum of 198,700 jobs are reflected in the 1966 level of imports. If allowance is made for jobs in sales and the application of "easy care" finishes prior to importation, the 1966 job equivalent of textile imports, as determined in these separate studies, would have been very considerably in excess of 200,000.

These studies, which did not include the job impact of man-made fiber imports, corroborate the measurement of job displacement due to imports of all textile articles which I have presented in this testimony, and for which data are presented in the Statistical Appendix.

BASIC TRENDS IN ECONOMIC ACTIVITY IN THE TEXTILE INDUSTRY

During the past ten years, employment in the textile industry has increased little more than 1% a year. The average hourly earnings of textile industry workers have increased at the rate of about 3% a year, while the number of man-hours worked per employee has remained relatively stable, rising slightly less than 3% during the period.

This analysis is based on a comparison of the 1967 annual rate with the average of the years 1958–1960. The industry's output increased during this period to 1966, rising 41%, but imports more than doubled during this period. Moreover, domestic output has declined abruptly in 1967. The Federal Reserve Board's index of production for combined textile mill products and apparel declined by about 8 index points, and the Federal Reserve Board's index of production of man-made fibers declined by about 22 index points.

A remarkable price stability has been experienced, with the wholesale price index for textile articles as of June 1967 at 101.6 compared with the average of the 1958–1960 period of 100.3.

An indicator of recognized merit in forecasting textile industry business performance is the ratio of inventories to unfilled orders at the mill level. A rising ratio forecasts and reflects textile industry business trouble. This indicator has been forecasting deterioration in both the cotton and man-made fiber textile products areas for many months.

For cotton grey goods, the ratio has risen from 0.19 in August 1966 to 0.38 in August 1967. For man-made fiber grey goods, the ratio rose from 0.26 in July 1966 to the disturbing level of 0.42 in July 1967. The trend, taking into account intervening changes over the year, has thus been one of market weakness.

The earnings of those sectors of the textile industry for which FTC-SEC profit data are available, as measured by net profit after taxes expressed as a percentage of sales and as a percentage of net worth, have remained well below the average of all manufacturing industries throughout this decade. The earnings ratios rose slowly, net profits after taxes as a percent of sales from 1.8% for the average of 1958–1960 to 3.1% in 1965. There then set in a decline in earnings, the ratio dropping to 3.0% in 1966 and to 2.6% in 1967 based on the results of the first two quarters. The all-manufacturing ratio was 5.6% in 1966 and 5.1% in 1967's first half.

Net profits after taxes expressed as a percentage of shareholders' equity for those sectors has shown a more precipitous decline. Rising from the level of 6.3% for the average of 1958–1960, this ratio reached 11.8% in 1965. Then it then dropped to 11.7% in 1966 and sharply to an annual rate of 6.5% based on the results of the first two quarters of 1967. The all-manufacturing ratio meanwhile dropped only slightly, from 13.5% to 11.8%.

Thus under the impact of the circumstances described in this testimony, the earnings performance of those sectors in relation to shareholders' investment dropped by 45% between 1965 and 1967, returning to the approximate level of the average of 1958–1960, a period of acute economic destress for the entire textile industry.

It is important to attempt a measurement of the extent to which imports have penetrated the domestic market, dislodging the sale of an equivalent volume of domestically produced merchandise. The Committee is familiar with import penetration ratios. In the case of woven wool cloth, the Geneva reservation negotiated during the Truman Administration used the penetration ratio of 5% as a trigger point for an increased duty on U.S. imports during the balance of the year. When the Short-Term Cotton Textile Arrangement was negotiated under the auspices of GATT, the import penetration in cotton textile products was 5.2%.

An approximation of the degree of import penetration can be secured through using physical units. For this purpose a conversion of all imports of textile articles into pounds of fiber equivalent for comparison with the domestic consumption of textile articles in pounds of fiber equivalents will supply an accurate index of the share of the U.S. market for textile articles accounted for by foreign suppliers.

In 1967, imports are being received at an annual rate of 887.2 million pounds, and domestic consumption of textile articles in fiber equivalent pounds is running at an annual rate of 9,206.2 million pounds. Therefore, imports represent 9.6% of domestic consumption thus far in 1967, about the same rate as experienced in 1966.

This measurement of import penetration demonstrates the seriousness of the textile import problem. Further, it is important to stress that the imports on a fiber equivalent pound basis have increased by 90.5% between 1960 and 1966, while domestic consumption has been rising more slowly, at less than half the rate of increase of imports—43.3%.

THE DISPLACEMENT EFFECT OF IMPORTS OF TEXTILE ARTICLES: THE NEED FOR EQUITABLE REGULATION OF FUTURE GROWTH IN SUCH IMPORTS

If we take the relationship of employment to wage and salary payments, fuel and power purchases, and capital expenditures for the textile industry at the current rate in the year 1967 as a reference point and relate to that economic structure the impact of imports of textile articles on employment as developed in Statistical Appendix Table III-2, we can with reasonable accuracy estimate the impact of the current level of imports on this complex of economic activity supplied by the textile industry to the Nation.

On this basis, the current level of imports equal to 887.2 million pounds fiber equivalent represents, by displacing that amount of U.S. production, a loss of 246,642 U.S. jobs and a loss to the Nation of the following dollar inputs:

	Million
Payroll	$1,153.4
Fuel and power purchases	44.4
Capital expenditures	177.4
Total	1,375.2

We call the Committee's attention to the fact that this economic impact has doubled, 1960 compared to 1966/1967. Had we achieved some method of import regulation during the period 1960–1966 which would have held the growth of imports of textile articles in proportion to the growth of the domestic market, we would have reserved for the benefit of our Nation additional textile industry jobs of the approximate order of 123,000 and dollar expenditures by the domestic textile industry of the approximate order of $700 million over and above the present rate of operation of the industry.

We in the textile industry believe that these losses of employment and economic activity in the Nation are so great that no further delay should be experienced

in action by the Congress to achieve control over this situation by some system of import regulation which will allow the domestic industry to share on a fair and equitable basis with imports in the future growth of the U.S. market.

The pending legislation would use as a reference point for import quotas the level of imports experienced during the period 1961–1966. It was during this span of years that President Kennedy intended to achieve an all-fiber regulation of imports of textile articles. His directives to the State Department in this regard were not accomplished.

It was during the first half of this period, in the years 1961, 1962, and 1963, that the Subcommittee on Textiles of the Senate Committee on Commerce, on the basis of public hearings, repeatedly reported and recommended that import regulation of textile articles be promptly achieved on an all-fiber basis through the use of quotas. Regrettably, these recommendations were not acted upon either by the Executive or by the Congress.

The rapid growth of imports of man-made fiber textile articles and the continued high level of import penetration of wool textile products which occurred during the period 1961–1966, as well as the substantial growth of imports of cotton textile products, even under the Long-Term Cotton Textile Arrangement, should not be allowed by default to become a permanent vested interest by importers in the U.S. market. It is reasonable for the Congress now to establish by legislation base period quotas, as provided in the pending legislation, with reference to the level of imports during this period. Such an approach allows to the importers a substantial share of the increase which occurred during that period, but offers to the domestic industry an opportunity for restoration of an equitable position in the affected sectors of the domestic market.

Certainly there should be no outcry against a system of import regulation, such as is envisaged by the pending legislation, which allows the Executive Branch flexibility in the establishment of country and commodity quotas, permits the President through trade agreement negotiation to enlarge the quotas of individual countries to meet unanticipated problems which may arise affecting the trade of those countries, and which extends to the domestic industry an opportunity for participation in any future growth of the domestic market.

As shown by the data in Statistical Appendix Table IV, the average annual dollar value of imports of all categroies of textile manufactures, on an f.o.b. U.S. port basis, for the period 1961–1966 is $1.6 billion, an amount 52.1% greater than the average annual imports during the reference point of 1958–1960. On this score, the period selected as a quota base is generous to the supplying countries.

TECHNOLOGICAL AND MARKET DEVELOPMENTS SINCE THE NEGOTIATION OF THE COTTON TEXTILE ARRANGEMENT IN 1961 REQUIRE THE EXTENSION OF QUOTA CONTROL OF IMPORTS TO ALL TEXTILE ARTICLES

A fact of great importance in your consideration of the need for positive law to establish equitable regulation of imports of textile articles on an all-fiber basis as was recognized as nceessary by Senator Pastore's Textiles Subcommittee in its 1959 Report and reiterated in its subsequent reports is the rapid expansion of man-made fiber producing capacity around the world. As the following table dramatically indicates, capacity for man-made fibers has increased by 182% in the United States, but in the foreign free world by 400%, and in the world as a whole by more than 300%.

MANMADE FIBERS: PRODUCTION, BY REGION OR COUNTRY, ANNUAL AVERAGES 1947-49 AND 1963-65, SHARE OF WORLD TOTAL AND PERCENTAGE INCREASES

Region or country	1947-49		1963-65		Percentage increase in quantity
	Quantity (million pounds)	Share of world total (percent)	Quantity (million pounds)	Share of world total (percent)	
Foreign free world	1,218	47.9	6,337	56.9	400
United States	1,106	43.5	3,120	28.0	182
Centrally planned countries	217	8.6	1,675	15.1	672
World total	2,541	100.0	11,132	100.0	338

Note: Compiled from Textile Organon.

Source: National Advisory Commission on Food and Fiber.

As the members of this Committee are aware, man-made fibers can be utilized on the existing spinning and weaving equipment for natural fibers. This characteristic of the fiber means that all nations producing textile products have a capacity to utilize man-made textile fibers and to produce man-made fiber textile products in the fabric and apparel constructions which are popular in the United States market.

The rapid growth of man-made fiber producing capacity in developing, as well as the developed, nations has profound implications for the future composition of the U.S. import trade in textile articles. From the data presented in this testimony and in the Statistical Appendix to this textimony, it is evident that the recent rate of growth of imports in the man-made fiber sector is greater than in the cotton and wool sectors of the textile industry.

The Food and Fiber Commission has projected per capita fiber consumption by type of fiber for the United States and other nations of the world through the year 1980. This projection indicates that the share of cotton in the per capita consumption of textile fibers in the United States will decline from 65% for the average of the period 1959–1961, to 41% in 1980. Wool will decline from 8% to 5%. Cellulosic man-made fibers (rayon and acetate) will decline from 17% to 14%, but the share of per capita consumption accounted for by the noncellulosic man-made fibers will leap from 10% to 40%.

The composition of demand will naturally predetermine to a considerable extent the composition of imports of textile articles. Whether or not the projection made by the Food and Fiber Commission of the per capita consumption of man-made fibers by the year 1980 is fully verified by the passage of time, it is obvious from the trends already established that consumption of man-made fibers in relation to that of other fibers will continue to increase, and, accordingly, that a major and increasing proportion of the import problem in textile articles will relate to man-made fibers, with cotton and wool textile products continuing to be substantial factors in relation to that problem.

Attention is now required to the imports of man-made fiber textile articles, and also to wool textile products, in addition to cotton textile products, if the burgeoning demand in the textile market for man-made fiber textile articles—as well as cotton and wool textile products—and blends of man-made fibers with cotton and wool in textile products is to be susceptible of equitable control so that domestic and imported goods can each share in the future growth of the U.S. market.

TRADE POLICIES OF OTHER NATIONS ADVERSELY AFFECT U.S. TEXTILE TRADE

The sharply divergent trends in U.S. imports and exports of textile articles (see Statistical Appendix Table III) provide dramatic evidence of the comparative inability of the U.S. textile industry to increase its participation in the world market for textile articles.

During the period 1960–1966, U.S. imports of textile articles in dollar terms increased by 101.3%, while exports rose by only 5.2%.

The inability of the U.S. textile industry to achieve any significant increase in its exports is due to a variety of factors over which neither the industry nor the U.S. Government has any real control:

1. U.S. textile export prices, reflecting the higher costs associated with the U.S. standard of living, are significantly above those of competing textile articles produced in other nations of the world, particularly the low-wage nations of Asia.

2. The nations of Western Europe impose frontier taxes, assessed against the landed cost, duty paid, of imports from the United States, in addition to import duties. The cumulative effect of frontier taxes with import duties and other port costs places U.S. textile articles at such a competitive disadvantage in the European market that no significant opportunity for increased participation for U.S. textiles in the European market exists. The reductions in *duty* agreed to by European nations in the Kennedy Round will be of little value to the U.S. textile industry because of the use by those nations of border taxes. Furthermore, European nations reserve the right to adjust frontier taxes from time to time without regard to trade agreement commitments affecting duty levels. An example is the current procedure under which the EEC nations are averaging their frontier tax rates. The consequence of this will be higher frontier taxes imposed on U.S. textiles seeking entry to the principal textile markets of Europe.

3. Japan exercises tight control over the imports of U.S. products competitive with Japanese production through a system of exchange allocation. A Japanese importer is required to secure an irrevocable letter of credit as a condition for

importing goods into that country. He must apply to his bank and his bank, in turn, to the Central Bank of Japan for an allocation of foreign exchange to validate the letter of credit. The administrative procedure practiced in the allocation of foreign exchange has seemed to result unfavorably to products which compete with Japanese industries. Neither the United States nor any other of the principal textile producing nations of the world are able to export any but token quantities of textile articles into Japan.

4. The principal foreign textile producing nations of the world subsidize or promote the production for export of textile articles through a system of bounties or grants which take various forms, including the remission of value added taxes paid in respect to the goods produced for export, the remission of social security and other taxes in a manner which subsidizes the exportation of goods, and the reduction of other costs subject to government control which enter into the cost of production or shipment of goods.

5. European nations reserved the right under Article XXXV of GATT to impose quantitative limitations on imports from Japan, as they similarly limit imports from other low-wage nations of Asia. The effect of European limitations on imports of textiles from low-wage Asian nations is to shunt these goods into other markets, including the United States, thereby significantly reducing access to those markets for U.S.-produced textiles.

For these reasons, the U.S. textile industry cannot look to world markets for the offtake of textile articles which are displaced from the U.S. market by the swiftly rising tide of low-cost imports from Asia. The domestic market remains the principal outlet for textile articles produced by the United States industry. Legislation is required to assure access for domestic production on an equitable basis with foreign production in the present and future U.S. market for textile articles.

CONCLUSION

The urgency of import control when market penetration by foreign cotton textile products reached 5.2% of the domestic market was clearly recognized by the Kennedy Administration and significant action was taken through the GATT Long-Term Cotton Textile Arrangement in an attempt to prevent market disruption and allow the United States textile industry to share in the future growth of its domestic market.

The experience of recent years proves conclusively that import controls are needed on textile articles of wool and man-made fiber as well as of cotton. The dimensions of the overall textile import threat now far exceeds that which existed in 1961 when the original GATT control action on cotton textiles was taken. Technology and market developments in recent years, strongly reinforced by the import trends in man-made fiber textile articles, together with the import levels in cotton and wool textile products, imperil the welfare of the entire United States textile industry complex.

Indeed, more effective action than that set in motion by the Kennedy Administration in 1961 with respect to cotton textile products is now required on an all-fiber basis. The action proposed in the pending legislation is a way to assure that the textile industry will be able to make its critically important contribution toward the national goal of full employment, with particular reference to the special problems of Appalachia and other poverty areas of our country.

Tariff cuts made on United States textile articles in the Kennedy Round just concluded makes action called for by the pending legislation even more urgent, for the vast scope of textile imports to date has developed under the existing higher tariff rates.

The pending legislation recognizes the trends in fiber consumption within the United States and the foreign world; it recognizes the rapidly developing capabilities of other nations of the world to produce a growing volume of textile articles of man-made fiber as well as of cotton and of wool textile products for export to the United States and other developed markets. This legislation has as its central concept the spirit of equity and justice to both domestic and foreign interests.

The United States textile industry is the most efficient in the world, with huge annual expenditures for new machinery and research. Modern textile technology is available, however, over all of the world, and hence, the United States industry cannot be competitive in its home market with low-wage producers overseas, unless the United States Government takes substantive action as provided in the pending legislation to regulate access to this highly competitive market by beneficiaries of the jet age legal anachronism that it is perfectly proper to violate the Fair Labor Standards Act beyond the 12-mile limit.

Thank you, Mr. Chairman.

STATISTICAL APPENDIX

TABLE I

[Dollar amounts in millions]

	August 1967		July 1967	
	SIC 22, textile mill products	SIC 23, apparel and related products	SIC 2823, 2824, manmade fibers	Total
1. Employment in the textile industry (in thousands of workers):				
Production workers	848.4	1,243.0	67.5	2,158.9
Other workers	108.5	160.2	31.2	299.9
Total employment	956.9	1,403.2	98.7	2,458.8
2. Payroll in the textile industry (annual rate, based on average weekly earnings in latest month, 1967):				
Production workers	$3,689.9	$4,750.1	$415.5	$8,855.5
Other workers	[a]841.3	[b]1,353.8	[c]228.9	2,424.0
Total employment	[a]4,531.2	[b]6,103.9	[c]644.4	11,279.5
3. Fuel and power purchases by the textile industry (1962 purchased fuels and electrical energy, adjusted by change in price index, and by change in production index)	269.6	77.3	72.8	419.7
4. Federal and State taxpayments:				
State	415.0	588.0	128.0	1,131.0
Federal	424.0	276.0	128.0	828.0
Total	839.0	864.0	256.0	1,959.0
5. Gross capital investment, and annual capital expenditures:				
Gross investment in property, plant, and equipment (2d quarter 1967)	8,302.0	2,126.0	3,268.0	13,696.0
Annual capital expenditures (2d quarter 1967–2d quarter 1966)	553.0	344.0	554.0	1,451.0
6. Value added by manufacture: Annual rate 1967	7,446.0	7,895.0	1,604.0	16,945.0

NOTES

1. Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, September 1967.

2. Source: Item 1, supra; U.S. Department of Commerce, Bureau of the Census, Annual Survey of Manufacturers, 1965; BDSA; Industry Profiles 1958–65.

[a] Total payroll estimated at 122.8 percent of production worker wages, 1965 ratio.

[b] Total payroll estimated at 128.5 percent of production worker wages, 1965 ratio.

[c] Total payroll estimated at 155.1 percent of production worker wages, 1965 ratio.

3. Source: U.S. Department of Commerce, Bureau of the Census, 1963 Census of Manufacturers, Fuels and Electric Energy Consumed in Manufacturing Industries, 1962. W.P.I. fuels and related products and power, 1962—100.2; July 1967—103.9; Bulletin 1513, Bureau of Labor Statistics; news release USDA 8408, Aug. 25, 1967 (percent change, average 1962-July 1967: 103.7 percent). Index of industrial production, seasonally adjusted (Federal Reserve Board); Textile mill products, 1962: 115.3; July 1967: 135.3. Apparel, 1962: 118.9; July 1967: 141.5. Manmade fiber, 1962: 150.6; July 1967: 241.8.

4. Source: State tax based on data published in U.S. Treasury Dept., Statistics of Income, 1962, adjusted by percent change in net value of fixed assets, 1962; 2d quarter 1967, as reported in FTC-SEC Quarterly Financial Report of Manufacturing Corporations. Federal taxes per data contained in FTC-SEC Quarterly Financial Report of Manufacturing Corporations, 2d quarter 1967. Manmade fiber State tax payments derived from data in cited sources for Chemical & Allied Products Industry at the ratio of manmade fiber fixed assets to total C. & A.P. fixed assets (12.4 percent). Manmade fiber fixed assets estimated at 67.1 percent of manmade fiber sales in 1962 and 1967. 1962 sales per Annual Survey of Manufacturers; 1967 sales estimated by projecting 1965 annual survey data by change in Industrial Production Index (FRB), and change in Wholesale Price Index.

5. Source: Gross investment in property, plant and equipment, and annual expenditures, FTC-SEC Quarterly Financial Report for Manufacturing Corporations, 2d quarter 1967. Gross investment in manmade fiber industry per note 6, supra. Manmade fiber data, derived by extending increase in noncellulosic capacity as reported in Textile Organon against average cost of increased capacity during prior period per annual capital expenditures reported in Annual Survey of Manufacturers and output changes reported in Textile Organon. See letter, June 1966 and 1967, for capacity figures. Capital expenditures for cellulosic fiber production taken at the 1965 rate per Annual Survey of Manufacturers, 1965.

6. Assuming sales in 1967 at 4 times the 2d quarter rate and using the ratio of value added to value of shipments shown in 1965, Annual Survey of Manufacturers. Sales of textile mill products and apparel taken from FTC-SEC Quarterly Financial Report for Manufacturing Corporations, 2d quarter 1967; manmade fibers, by projecting 1965 sales against change in index of industrial production and change in wholesale price index, 1965–67.

7. DEFENSE PRODUCTION: DELIVERIES OF TEXTILE FABRICS TO U.S. MILITARY FORCES, 1961-66, 1967 TO DATE

[In thousands of pounds of fiber content]

	Defense deliveries				Total mill consumption (million pounds	Ratio, military total mill consumption (percent)
	Cotton	Wool	Manmade fibers	Total		
1961	45,368	7,149	1,532	54,109	6,554.3	0.8
1962	51,408	13,667	2,337	67,412	7,035.6	1.0
1963	31,180	7,926	1,584	40,690	7,239.7	.6
1964	21,610	5,341	2,145	29,035	7,775.4	.4
1965	27,626	4,609	3,247	35,482	8,488.9	.4
1966	119,579	15,674	16,383	142,638	9,003.5	1.6
1967 [1]	184,560	23,112	27,672	241,344	7,943.3	3.0

[1] Annual rate based on 1st 5 months.

Source: U.S. Department of Agriculture, "Wool Situation," Aug. 14, 1967; "Cotton Situation," July 27, 1967; "Textile Organon," March 1967. 1967 data, 5 months actual, sources cited plus "Textile Organon," July and September 1967.

AVERAGE HOURLY EARNINGS OF WAGE EARNERS

[In U.S. dollars]

	Textiles		Apparel		Manmade fiber	
	1961	1966	1961	1966	1961	1966
United States	1.63	1.93	1.64	1.87	2.36	2.71
United Kingdom [1]	.84	1.14	.87	1.20	.94	1.38
West Germany	.62	.96	.77	.88	[2] .77	[2] 1.16
France	.47	.63	.45	.65	[2] .65	[2] .88
Italy	.32	.54	.26	.44	.40	.58
Japan	.23	[3] .66	.20	[3] .32	[2] .48	[2] .81

[1] Men only.
[2] Chemicals.
[3] 1965 average.

Source: U.S. Department of Labor, Division of Foreign Labor Conditions

TABLE II.—GEOGRAPHICAL DISTRIBUTION OF THE TEXTILE INDUSTRY, 1966 (MID-MARCH)

	Textile mill products		Apparel and related products		Manmade fibers		Total	
	Employment	Number of establishments	Employment	Number of establishments	Employment	Number of establishments	Employment	Number of establishments
Alabama	38,875	120	38,962	209	[1] 3,000	2	80,837	331
Arizona	[1] 175	4	3,587	72			3,762	76
Arkansas	3,360	20	12,918	78			16,278	98
California	8,779	245	66,931	2,306			75,710	2,551
Colorado	177	8	1,657	76			1,834	84
Connecticut	13,288	131	15,916	298	[1] 175	1	29,379	430
Delaware	1,639	13	3,466	23	[1] 1,500	1	6,605	37
District of Columbia			147	20			147	20
Florida	1,932	34	14,991	427	[1] 7,500	2	24,423	463
Georgia	104,988	372	62,050	444	[1] 1,535	2	168,573	818
Hawaii			2,305	73			2,305	73
Idaho			41	10			41	10
Illinois	6,407	81	39,877	790			46,284	871
Indiana	1,028	10	14,052	163			15,080	173
Iowa	277	7	3,743	72			4,020	79
Kansas			4,083	69			4,083	69
Kentucky	2,793	23	25,571	129			28,364	152
Louisiana	306	8	6,420	62	[1] 175	1	6,901	71
Maine	12,140	55	3,827	44			15,967	99
Maryland	2,773	30	24,947	319	[1] 1,500	1	29,220	350
Massachusetts	37,746	413	56,527	985	[1] 375	1	94,648	1,399
Michigan	3,807	44	20,484	244			24,291	288
Minnesota	2,462	24	8,177	158			10,639	182
Mississippi	6,464	29	32,716	144			39,180	173
Missouri	1,844	32	35,479	411			37,323	443
Nebraska	[1] 210	2	1,658	35			1,868	37
New Hampshire	10,633	83	2,090	39			12,723	122
New Jersey	27,933	549	78,862	2,161			106,795	2,710
New Mexico			520	20			520	20
New York	58,772	1,565	315,000	11,141	[1] 1,681	3	375,453	12,709
North Carolina	246,000	1,245	59,799	428	[2] 10,743	9	316,542	1,682
Ohio	9,981	82	18,942	359	[1] 1,500	2	30,423	443
Oklahoma	595	4	6,318	68			6,913	72
Oregon	2,441	25	3,022	74			5,463	99
Pennsylvania	68,910	757	179,718	2,198	[1] 3,000	2	251,628	2,957
Rhode Island	21,848	292	3,852	77	[1] 175	1	25,875	370
South Carolina	141,199	350	40,614	226	[2] 8,656	8	190,469	584
Tennessee	30,832	153	65,519	273	20,850	11	117,201	437
Texas	6,971	66	50,077	585			57,048	651
Utah			2,437	42			2,437	42
Vermont	705	17	1,581	30			2,286	47
Virginia	40,072	105	29,906	174	[2] 21,202	10	91,180	289
Washington	610	19	4,673	127			5,283	146
West Virginia	1,537	5	4,819	41	[1] 3,000	2	9,356	48
Wisconsin	6,923	62	7,481	165			14,404	227
Total, 45 States	927,432	7,084	1,375,762	25,889	86,567	59	2,389,761	33,032

[1] Estimated.
[2] Partially estimated.

Source: U.S. Department of Commerce, Bureau of the Census, 1966 County Business Pattern.

TABLE III.—1. U.S. FOREIGN TRADE IN PRODUCTS OF THE TEXTILE INDUSTRY

	Imports				Exports				Balance of trade			
	Cotton	Wool	Manmade fiber	Total	Cotton	Wool	Manmade fiber	Total	Cotton	Wool	Manmade fiber	Total
A. In millions of dollars (source: Office of Textiles, Department of Commerce; "Textile Organon")												
1960	268.7	216.3	81.1	566.1	884.2	8.9	273.4	566.5	+15.5	−207.4	+192.3	+0.4
1961	198.8	200.3	70.4	475.5	272.4	9.2	268.1	549.7	+73.6	−191.1	+191.7	+74.2
1962	306.8	272.4	104.3	683.5	217.3	9.6	322.3	549.2	−89.5	−262.8	+218.0	−134.3
1963	298.8	297.1	124.3	720.2	262.5	9.6	326.6	598.7	−36.3	−287.5	+202.3	−121.5
1964	308.3	289.1	170.4	767.8	206.5	10.9	406.3	623.7	−101.8	−278.2	+235.9	−144.1
1965	369.2	356.6	247.5	973.3	218.9	11.3	335.7	565.9	−150.3	−345.3	+88.2	−407.4
1966	463.1	353.8	322.5	1,139.4	231.3	20.1	344.6	596.0	−231.8	−333.7	+22.1	−543.4
1967 [1]	430.7	292.1	303.6	1,026.4	201.3	13.9	342.4	557.6	−229.4	−278.2	+38.8	−468.8
Percent change, 1960–66	+72.3	+63.6	+297.7	+101.3	−18.6	+125.8	+26.0	+5.2	----------	----------	----------	----------
B. In millions of pounds of fiber equivalents (source: Textile Economics Bureau, Inc.)												
1960	252.3	132.1	105.3	489.7	233.3	4.7	202.4	440.4	−19.0	−127.4	+97.1	−49.3
1961	188.9	127.4	83.6	399.9	239.2	4.5	205.8	449.5	+50.3	−122.9	+122.2	+49.6
1962	309.8	145.6	118.2	573.6	220.3	4.4	246.1	470.8	−89.5	−141.2	+127.9	−102.8
1963	304.3	152.5	181.4	638.2	207.8	5.6	244.8	458.2	−96.5	−146.9	+63.4	−180.0
1964	300.2	141.1	208.3	649.6	213.2	7.0	283.1	503.3	−87.0	−134.1	+7[illegible]	−146.3
1955	360.6	156.1	238.3	755.0	173.8	15.6	293.4	482.8	−186.8	−140.5	+55.1	−272.2
1966	495.9	142.9	330.3	933.1	189.6	12.7	322.8	525.1	−306.3	−130.2	−7.5	−408.0
1967 [2]	455.2	119.8	312.2	887.2	190.0	11.2	333.8	535.0	−265.2	−108.6	+21.6	−352.2
Percent change, 1960–66	+96.6	+8.2	+213.7	+90.5	−18.7	+170.2	+58.5	+19.2	----------	----------	----------	----------

[1] Imports, 12 times average of 1st 8 months; exports, 12 times average of 1st 7 months.

[2] 2 times 1st 6 months.

2. EMPLOYMENT EQUIVALENT OF FOREIGN TRADE IN THE PRODUCTS OF THE TEXTILE INDUSTRY

	Employment (thousands)	Mill consumption (millions of pounds)	Total employment per million pounds of mill consumption	Employment equivalent of—		Net balance of employment due to foreign trade
				Imports at mill consumption pound equivalent ratio	Exports at mill consumption pound equivalent ratio	
1960	2,227.4	6,486.6	343.4	168,163	151,233	−16,930
1961	2,178.9	6,561.0	332.1	132,807	149,279	+16,472
1962	2,242.7	7,042.1	318.5	182,692	149,950	−32,742
1963	2,250.2	7,246.1	310.5	198,161	142,271	−55,890
1964	2,281.9	7,782.1	293.2	190,463	147,568	−42,895
1965	2,371.6	8,494.7	279.2	210,796	134,798	−75,998
1966	2,450.1	9,006.2	272.0	253,803	142,827	−110,976
1967 [1]	2,458.8	8,846.0	278.0	246,642	148,730	−97,912

[1] 2×6 months.

Source: Employment, U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings for the United States 1909–66," October 1966; September 1967. Mill consumption, "Textile Organon," March 1967 for 1960–66; Textile Economics Bureau for 1967. Import and export data in pound equivalent, op. cit. supra, item 1 of this table III.

TABLE IV.—1. BASIC TRENDS IN ECONOMIC ACTIVITY IN THE TEXTILE INDUSTRY 1958-60 BASE PERIOD COMPARED WITH 1961-66, 1967

	Average, 1958-60	1961	1962	1963	1964	1965	1966	1967 [1]	Percent change: Average 1958-60 to 1966	Percent change: Average 1958-60 to 1967
Employment (thousands)	2,208.5	2,178.9	2,242.7	2,250.2	2,281.9	2,371.6	2,450.1	2,458.8	------------	+11.3
Production worker:										
Average hourly earnings	$1.58	$1.66	$1.71	$1.75	$1.81	$1.88	$1.95	$2.06	------------	+30.4
Man-hours of work per year	1,877	1,865	1,895	1,900	1,938	1,948	1,940	1,925	------------	+2.6
Output (Federal Reserve Board index) 1957-59=100:										
Textile mill products and apparel	104.0	108.6	117.1	121.3	128.5	140.0	146.3	[2] 138.4	------------	------------
Manmade fibers	113.6	119.8	150.6	170.0	198.2	237.4	263.4	241.8	------------	------------
Wholesale price index, 1957-59=100	100.3	99.7	100.6	100.5	101.2	101.8	102.1	[2] 101.6	------------	------------
Earnings ratios, net profit after taxes as a percent of sales:										
Textile mill products and apparel	1.8	1.7	2.0	1.9	2.6	3.1	3.0	[3] 2.6	------------	------------
All manufacturing	4.5	4.3	4.5	4.7	5.2	5.6	5.6	[3] 5.1	------------	------------
Earnings ratios, net profit after taxes as a percent of net worth:										
Textile mill products and apparel	6.3	6.1	7.8	6.9	10.1	11.8	11.7	[3] 6.5	------------	------------
All manufacturing	9.4	8.9	9.8	10.3	11.6	13.0	13.5	[3] 11.8	------------	------------
Domestic consumption in fiber equivalent pounds (millions of pounds)	6,408.7	6,564.0	7,286.4	7,422.2	7,938.0	8,750.2	9,407.7	[4] 9,206.2	------------	------------
Foreign trade (millions of dollars):										
Imports (f.a.b. U.S. port)	$1,079.8	$1,146.5	$1,437.3	$1,538.6	$1,646.3	$1,954.1	$2,132.0	----------	+97.4	------------
Exports (f.a.b.)	$515.9	$547.1	$547.4	$547.4	$644.0	$664.2	$701.8	----------	+36.0	------------
Balance	−$563.9	−$599.4	−$889.9	−$991.2	−$1,002.3	−$1,289.9	−$1,430.2	----------	−153.6	------------

[1] Except as noted, based on July or August data.
[2] June 1967.
[3] Annual rate based on 1st and 2d quarters.
[4] Annual rate based on 2 times 6 months.

Source: Employment, Wholesale Price Index, hourly earnings, man-hours of work—U.S. Department of Labor, Bureau of Labor Statistics. Index of Industrial Production, Federal Reserve Board (average of textile mill products and apparel). Earnings ratios, FTC-SEC Quarterly Financial Report for Manufacturing Corporations (average of textile mill products and apparel). C.i.f. factors, as reported by the Tariff Commission, and duty payments as estimated by the Department of Commerce, 1958-64; 1964 ad valorem duty equivalent used for 1965 and 1966. Import and export product classifications correlated with SIC production classifications for SIC 22, 23, and 2823, 2824 as per correlation table published by Office of Business Economics, U.S. Department of Commerce. Domestic consumption, Textile Organon, March 1967; 1967, Textile Economics Bureau, Inc.

2. IMPORTS AS A SHARE OF DOMESTIC CONSUMPTION, 1960-67

[In millions of pounds]

	Imports	Domestic consumption	Ratio, imports to domestic consumption (percent)
1960	489.7	6,566.6	7.5
1961	399.9	6,465.0	6.1
1962	573.6	7,206.4	8.0
1963	638.2	7,422.2	8.6
1964	649.6	7,938.0	8.2
1965	755.0	8,750.2	8.6
1966	933.1	9,407.7	9.9
1967	887.2	9,206.2	9.6

Source: Imports, see Statistical Appendix table III-1; domestic consumption, "Textile Organon," March 1967, and (1967), Textile Economics Bureau, Inc.

EXHIBIT I

TRADE ASSOCIATIONS FOR WHOM MR. HALBERT M. JONES IS THE SPOKESMAN

Suppliers of Raw Cotton and Wool

1. *National Cotton Council.*—Memphis, Tennessee: Representing those who produce, handle, and process raw cotton and cottonseed.

2. *National Wool Growers Association.*—600 Crandall Building, Salt Lake City, Utah: Representing producers of raw wool throughout the United States.

Manufacturers of Man-Made Fibers

3. *Man-Made Fiber Producers Association, Inc.*—350 Fifth Avenue, New York, New York: Representing over 90% of the man-made fiber production of the United States.

Manufacturers of Textile Mill Producers

4. *American Textile Manufacturers Institute, Inc.*—1120 Connecticut Avenue, N.W., Washington, D.C. 20036: The central trade association for the American textile manufacturing industry, representing about 85% of the spinning, weaving, and finishing capacity in the cotton and man-made fiber industry with several hundred member companies from Maine to Texas.

5. *American Yarn Spinners Association, Inc.*—Gastonia, North Carolina: The central trade organization for combed and carded cotton, manmade fiber, and blended sales yarn, representing 200 mills in several states.

6. *Cordage Institute.*—350 Madison Avenue, New York, New York: Representing virtually all United States rope production.

9. *National Association of Wool Manufacturers.*—1200 17th Street, N.W., Washington, D.C. 20036: The national trade organization of the wool textile industry in the United States with members in 32 states.

10. *Northern Textile Association.*—211 Congress Street, Boston, Mass. 02110: Representing man-made fiber, wool, and cotton textile mills located principally in New England.

Manufacturers of Apparel

11. *Affiliated Dress Manufacturers, Inc.*—1440 Broadway, New York, N.Y.: Representing over 150 manufacturers of women's high fashion dresses in the New York City area.

12. *Allied Underwear Association, Inc.*—1450 Broadway, New York, N.Y.: Representing producers located in the Greater New York City area of ladies' and children's underwear and nightwear.

13. *American Apparel Manufacturers Association, Inc.*—2000 K Street, N.W., Washington, D.C. 20006: Representing members in 41 states who are manufacturers of apparel for men, women and children, doing a dollar volume in excess of six billion dollars at wholesale.

14. *American Millinery Manufacturers Association, Inc.*—1440 Broadway, New York, N.Y. 10018: Representing 99 per cent of manufacturers of ladies' hats located in the Greater New York City area.

15. *Associated Corset & Brassiere Manufacturers.*—220 Fifth Avenue, New York, N.Y.: Representing manufacturers of corsets and girdles and allied products, representing 90% of the industry.

16. *Boys and Young Men's Apparel Manufacturers Association, Inc.*—10 West 33rd Street, New York, N.Y.: Representing 250 manufacturers of boys' and young men's apparel, accounting for approximately 60%–70% of U.S. production.

17. *Clothing Manufacturers Association of the U.S.A.*—135 West 50th Street, New York, N.Y.: Representing the overwhelming majority of men's tailored clothing production in the United States.

18. *National Board of the Coat and Suit Industry.*—450 Seventh Avenue, New York, N.Y. 10001: Representing 90% of the manufacturers of women's and children's coats and suits in the United States.

19. *National Knitted Outwear Association.*—51 Madison Avenue, New York, N.Y.: Representing manufacturers of knitted outer apparel of all kinds and knitted fabrics.

20. *National Outwear & Sportswear Association.*—347 Fifth Avenue, New York, N.Y.: Representing manufacturers of outerwear, slacks and utility clothing.

21. *New York Coat & Suit Association, Inc.*—225 West 34th Street, New York, N.Y.: Representing 250 manufacturers of women's, misses' and juniors' coats and suits, accounting for over 65% of U.S. production.

22. *Pleaters, Stitchers & Embroiderers Association.*—225 West 34th Street, New York, N.Y.: Representing 275 shops doing pleating, stitching and embroidering.

23. *Underwear Institute.*—350 Fifth Avenue, New York, N.Y. 10001: Representing manufacturers of underwear, nightwear and allied products in 22 states.

The CHAIRMAN. I just want to ask one question that our staff suggested to me. I want to know what textile articles would be covered by the Hollings bill involving commodities that we do not now produce in the United States. For example, the committee received a communication that this bill would cover jute which I understand is not produced in any substantial volume in the United States. Are there other textiles that would be so affected?

Mr. JONES. Mr. Chairman, I understand that in the original version of the Hollings bill, the terminology is very broad but I believe the provisions which he suggested here today before you would eliminate a number of the textile articles which are not produced in substantial quantity and I believe jute would be one of those articles which would be eliminated.

Senator BENNETT. Mr. Chairman, in the same general area, may I have a question before Mr. Darman begins?

On page 2 of your statement you indicate that speaking on behalf of the Cordage Institute—and I wanted to be perfectly clear that cordage was included in your mind as a textile.

Mr. JONES. I am certain that that is a fact but Mr. Robie is here and may I ask him to speak to that, to supply——

Senator BENNETT. Is he on the list as a witness?

Mr. JONES. I had introduced him before.

Senator BENNETT. I also am wondering if you consider that the cordage is an essential strategic material and that domestic productive capacity is essential to our national security?

Mr. JONES. I am not familiar with the capacity in this country but certainly cordage is an essential domestic material both in peacetime and in times of national emergency.

Senator BENNETT. Mr. Chairman, the staff has handed me a letter suggesting a change in the language of S. 1796, which will handle this situation beyond question, and I would like to make it a part of the record at this point.

The CHAIRMAN. Without objection.

(The material referred to follows:)

J. M. CHAMBERS & COMPANY, INC.,
Washington, D.C.

Mr. THOMAS VAIL,
Chief Counsel, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR TOM: Appropos of our discussion concerning the definition of textile products, I believe that a general approach such as set out below might avoid a great many headaches and still cover all "Textile Articles." Since the language of S. 1796 is limited to Textile Articles the word "Fibers" in the Title of Schedule 3 shouldn't worry anybody.

On page 1, line 3, delete all after the word "articles" and all language down through "thereof" on line 8. In lieu thereof substitute the following: On page 1, line 3, after the word "articles" insert "as are now subject to duty in Schedule 3—Textile Fibers and Textile Products—of the Tariff Schedules of the United States annotated (1965.)"

It was nice to have seen you again and best of luck in this headache on which you are working.

Sincerely yours,

J. M. CHAMBERS.

The CHAIRMAN. Now, I would like for you to provide to me, if you do not have it at your fingertips, a memorandum indicating what the significance of this is for the State of Louisiana. I would like to know it just to see what stake the State that I have the honor to represent has in your program.

(Pursuant to the above request, the following information was received by the committee:)

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: In response to your request for information about the economic importance of the textile industry to the state of Louisiana, I am pleased to supply the following data. According to statistics supplied by the Department of Labor of the state of Louisiana, there were 7,645 textile and apparel employees in Louisiana in 1966. This amounted to an annual payroll of $26,706,710. The following chart would be of interest to you as it indicates what this textile payroll means in terms of retail sales. It is based on U. S. Department of Commerce figures on how people spend their money. You will note that the figure includes $2,243,364 in local, state, and Federal taxes.

Expenditures for current consumption of textile and apparel employees

Average consumption expenditures (by type)	*Louisiana (7,645 employees)*
Food and kindred products	$6, 730, 091
Groceries	4, 460, 021
Restaurants	1, 148, 388
Tobacco products	480, 721
Alcoholic beverages	640, 961
Housing	8, 038, 720
Rented or owned dwelling	4, 753, 794
Fuel and utilities	1, 228, 509
Home furnishings and rugs	240, 360
Furniture	347, 187
Appliances	293, 774
Other	1, 175, 095

Expenditures for current consumption of textile and apparel employees—Con.

Average consumption expenditures (by type)	*Louisiana (7,845 employees)*
Clothing and upkeep	2,563,844
Apparel	1,682,523
Shoes	373,894
Upkeep and other	507,427
Transportation	3,365,045
Auto purchases	1,121,682
Gas and oil	801,201
Parts and service	1,121,682
Other	320,480
Medical care	1,468,869
Drugs and prescriptions	267,067
Professional services	667,668
Other	534,134
Recreation	1,415,456
Personal care	667,668
Miscellaneous	213,654
Local, State and Federal taxes	2,243,364
Total	26,706,710

Sources: U.S. Departments of Labor and Commerce.

In addition, production of cotton in Louisiana during the 1965–66 crop year had a value of $79,971,000. This was for production of 561,120 running bales. The $79 million figure does not include payments to growers. As you know, approximately two-thirds of our domestically produced cotton moves to market through the textile industry.

Sincerely yours,

HALBERT M. JONES.

The CHAIRMAN. May I say that I think you people have made a very good case—your statement together with Senator Hollings and Senator Ervin and the others who have communicated about this matter. It seems to me that in this trading area we have to recognize certain fundamental points. Now, we of the United States have been trying to help all nations of the world to live better, to raise their living standards, and to have good jobs, if it can possibly be arranged. We have put through commodity agreements. I personally voted for them, well knowing that that meant we were going to have to pay more for coffee, more for this, for that, to help other countries.

Nobody else does things like that or takes the lead like this country does. But sooner or later we have to come up with the answer to the $64 question. When we export American know-how all around the world, help build plants around the world, and show people how to operate them, their low-wage standards puts them in position that they not only can take our export markets, and do, but they are then in position to take our domestic market unless we decide we are going to do something about it.

Now, if I recall correctly, your industry has been a leader in helping other people compete with you. Did not your industry actually go over there to Japan and take American machinery and install it

and show them how to operate the latest American machinery that had been installed there?

Mr. JONES. We had a delegation go over immediately after the war that spent some time in this connection.

The CHAIRMAN. You actually helped them to build up this enormous trade surplus that they have in this item. Your industry did.

Mr. JONES. Our industry helped them to build their own industry up. We are a little disconcerted that so much came to us rather than going to someone else.

The CHAIRMAN. That is right. But as a matter of international good will, your industry actually did much to contribute to the plight that you now find yourself in, and it would seem to me that our Japanese friends ought to give you a little credit for that, rather than just being outraged when you say, "Look fellows, if it is all the same, we would like to survive."

Now, this is going to become more and more of a problem with a lot of other industries. It is going to be a problem down the road with the chemical industry. Right now they are testifying against the oil people. Just give it a few years and they will be in here asking that they be saved also. So that we have to look at this with regard to first one industry and next another to see where we stand after we have made it possible for these various people to raise their living standards and improve their lot by very generous broadminded policies of this country. We have been doing so. We have to think of our own people from time to time.

Mr. JONES. I agree completely.

Senator TALMADGE. Mr. Chairman, I have some business to transact on the floor, and with the permission of the Chair and with the permission of Mr. Jones I would like to ask a few questions before I have to leave.

I compliment you on your statement, Mr. Jones. It was thorough, accurate, precise, and I endorse it fully.

Ambassador Roth has been quoted recently as saying:

> Quota legislation such as the pending Hollings bill would undo the results of the Kennedy Round.

From the standpoint of the textile industry, would you comment on this?

Mr. JONES. I have some difficulty in seeing how that could possibly be true since a part of the Kennedy round negotiation was the extension of the LTA for an additional 3-year period and the principles of the long-term arrangement relating to setting up agreements and controls are the same principles which are embodied in the legislation here relating to textiles. So it seems a little absurd to me that the negotiators 3, 4, 5, 6 months ago would be taking action which today they claim would be embarrassing to them in the implementation of the legislation which you have before you.

I do not believe that so far as textiles are concerned, and this is the only area I am qualified to speak on, that what is proposed would have any material effect on the Kennedy round results.

Senator TALMADGE. How does the textile industry look upon the results of the Kennedy round? What countries stand to gain most from those negotiations insofar as textile trade is concerned?

Mr. JONES. Senator Talmadge, when you are already bleeding, you cannot get very grateful to have somebody just make the cut 1 inch deeper instead of 3 or 4 inches deeper, and that is the position we have been in in the textile industry. Any reduction in tariffs is a matter of real concern to the textile industry because tariff levels have obviously not been adequate to avoid a great explosion of imports into the United States. We do not feel that reduction in tariffs which have been made by other countries will be of great significance to the textile industry. Most of their imports of textiles are controlled by devices other than tariffs and this we indicated in the case of Japan. Japan made some rather substantial cuts on its textile tariff, but we shipped them $11 million worth of textiles last year. It would not have made any difference what the tariff was. We could not have gotten the goods into Japan.

Senator TALMADGE. What countries are the largest exporters of textiles to the United States?

Mr. JONES. The largest exporter of textiles—and here I am talking about fabrics, textiles other than fiber, I do not have material on fiber—the largest exporter of textiles to the United States is Japan which last year shipped the equivalent of 915 million square yard equivalents to the U.S. market, or 33 percent of our total textile imports other than fiber and filament. Hong Kong is the second largest, supplying 15 percent; Mexico, 5 percent; Portugal, 4 percent; Taiwan, 3 percent; Brazil, 3 percent; Canada, 3 percent; India, 3 percent; and others coming down at a lower level than that.

Senator TALMADGE. In other words, imports came from highly industrialized nations, not from developing nations.

Mr. JONES. We had imports from both areas. In the cotton area, about 50 precent of our imports came from the so-called developing nations. In the manmade fiber area, virtually all—not all, but 85 to 90 percent—came from the developed countries.

Senator TALMADGE. In the closing paragraph of your statement, you mention the superior efficiency of the U.S. textile industry as compared to that of the other nations. Would you elaborate more fully on the reasons as you see them for the rise in textile imports?

Mr. JONES. I think without question it can be demonstrated that the U.S. industry is the most productive industry in the world in terms of man-hours required per unit of output. The problem, of course, is our labor costs and other costs as related to our competition abroad. The products which come into the United States with very minor exceptions are products which can be equally well or better made in the United States and their reason for coming in has been essentially a matter of price, price based largely on a very low wage scale in the producing country. To some extent these imports have been subsidized and this, of course, creates an entirely additional problem in competing with the production abroad. But the basic reason for imports coming into the United States has been their price. There have been times in short periods when we have had tight supplies such as when the textile industry last year devoted a substantial part of its production to supplying military requirements and opened the position where foreign supplies could come in and supply our normal civilian market. It seems to us that it is unfair that this sort of emergency situation should provide a base for a long-term position in the market, although

we realize the real problem involved under the present circumstances for any "rolling back."

I would like to say the textile industry takes a very firm position that we are willing to share the growth of our markets with our friends abroad but we are completely unwilling to have our present capacities destroyed or our present employment reduced, and we will resist that as strongly as we can.

Senator TALMADGE. In the absence of a program providing for orderly access to our markets for textile imports, what do you think the response of the textile industry would be?

Mr. JONES. Of course, every industry has to look at its long-term position. It has to decide whether or not in the view of the Government and the people generally it is desirable and one which needs to be strengthened and maintained. It has to make long-term plans. Part of these plans involve the exepnditure of large amounts of money. We have spent this year, as we have indicated, $1.4 billion. Each year these investment decisions have to be made. Up to this point the textile industry has made virtually all of its investments in the United States, seeking to provide jobs for our own people, seeking to see that we come up with supplies of textiles in the United States which meet our needs.

If in the long run the textile industry were to become convinced that it is expendable on the altars of free trade or international politics, then it seems to us the Government would have given the textile industry little choice but to seek overseas sources for these textiles or perhaps investment overseas.

It is our hope this will never happen and the hearings which you are holding are designed to prevent this from happening. I just assure you that the textile industry is interested in developing here in the United States to the maximum extent it can in making its maximum contribution to our economy.

Senator TALMADGE. In other words, if you could not survive here in the United States, you would go where you could survive and Americans would be unemployed and someone else would be employed; is that it?

Mr. JONES. That is exactly right.

Senator TALMADGE. Thank you.

Mr. JONES. And it would be obvious here that the companies that would be in a position to do this are the large companies with large capital and large management resources and that the companies that would be most hurt and damaged would be the smaller companies who obviously have limited resources of capital.

Senator TALMADGE. Some of them are international in scope already; are they not?

Mr. JONES. Some are already; yes. May I introduce Mr. Darman?

It is my pleasure to introduce Morton Darman, president of the National Association of Wool Manufacturers.

Mr. DARMAN. Mr. Chairman, at the outset I, too, for Mr. Marsh and myself, would like to express my appreciation at appearing before you.

My name is Morton Darman, and I am chairman of the board of the National Association of Wool Manufacturers. This morning I

speak for that association and also for the National Wool Growers Association.

Mr. Edmund Marsh, on my left, is the executive secretary of that association and is here to bear witness by his presence that our views are both synonymous and unanimous.

Senator BENNETT. Mr. Chairman, at this point, may I inquire whether this appearance means that Mr. Marsh will not appear later for himself?

Mr. MARSH. No, sir, Senator. I am scheduled to appear this afternoon on the meat bill.

Senator BENNETT. Thank you.

Mr. DARMAN. Our association, sir, of wool manufacturers, is the national trade organization of the wool textile industry. Its members produce about 70 percent of the wool textiles other than carpets and rugs made in the United States on the woolen and worsted systems. In terms of looms, 47 percent of the industry is geographically located in the Southern States, 36 percent in the New England States, 13 percent in the Middle Atlantic States, and 4 percent in the North Central and Western States.

Our industry is the sole customer of the 300,000 American woolgrowers. The growers, therefore, are directly concerned with the prosperity, or lack of it, in the U.S. woolen and worsted mills. Their concern over imports of wool textile articles is readily understood when it is realized that the raw wool content of these imports in the year 1966 represented a poundage almost equal to domestic production of shorn wool in that year. And, incidentally, sir, none of the imported wool articles contained any U.S. wool. U.S. wool manufacturers believe that a healthy domestic woolgrowing industry is not only desirable from the standpoint of the manufacturers but also that it is in the national interest.

We have consistently supported the National Wool Act since its inception in 1954. The act declares the policy of Congress, that "Wool is an essential and strategic commodity." And that its production must be encouraged as a measure of national security and in promotion of the general economic welfare.

We submit that wool has no strategic or security value, however, unless the United States has the capacity to convert this raw wool into essential civilian and military articles. Thus, there is a joint historic fourfold interest in wool and wool manufacturing on the part of the Congress, the growers, the mills, and the mills' employees.

Essentiality of wool and wool manufactures becomes quickly evident in every national emergency. The Office of Defense Mobilization has found an adequate wool textile industry essential to national security.

I think you will agree, Mr. Chairman, that this country must have both the supply of wool and the means to manufacture it. Action is overdue to make access to the U.S. market for imported textiles equitable and orderly, to assure a fair sharing of growth in this market when it occurs, and to avoid concentration and disruption in any area. Action is long overdue on wool textile articles where the raw wool contents of the imports already had approached 30 million pounds in 1956 and expanded to almost 84 million clean pounds in 1966, an increase of over 50 million clean pounds. This far exceeded any growth in the size

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of the U.S. market during the period, and the consumption of apparel-class wool in the U.S. mills in 1966 fell approximately 30 million pounds behind that 10 years earlier in 1956.

The share of the U.S. markets for all wool textile articles combined that is supplied by imports increased from nearly 8 percent in 1956, to over 13 percent in 1961, the year of the announcement of President Kennedy's seven-point program, and now exceeds 21 percent according to measurements by the Department of Commerce. The ratio of imports to domestic production exclusive of carpets and rugs now exceeds 26 percent and is much higher in several specific textile categories.

For example, in worsted cloth it is nearer 50 percent and there is almost as high a ratio in certain men's wool shirts, mainly from Japan. About one-half of the men's regular weight suits produced in the United States are made of imported cloth. The overwhelming majority of its worsted cloth is from Japan.

In considering the geographical distribution of Japan's exports, it would be interesting for the record to show that about 62 percent of Japan's exports of worsted cloth in 1966 went to the United States, compared with only 3 percent to all of Europe. For every woman's wool sweater knit in the United States——

The CHAIRMAN. Would you mind repeating that previous statement? I want to get it again.

Mr. DARMAN. Yes, I would be glad to. About 62 percent of Japan's exports of worsted cloth in 1966 came here to the United States compared with only 3 percent going to all of Europe.

The CHAIRMAN. Now, what restrictions do our European friends have on those Japanese exports to keep it that low?

Mr. DARMAN. Well, as was indicated in Mr. Jones' earlier testimony, sir, they have in large measure refused to extend the most favored nation treatment to the Japanese that we did. They have reserved the right unto themselves to——

The CHAIRMAN. Is Japan a member of GATT?

Mr. DARMAN. They are a member of the GATT, but not an original signatory of GATT and on this basis I think the European nations have provided a legitimate means in their minds of treating Japan as another less-developed country of Asia, although the fact of the matter we all well know is that Japan is a highly developed and highly efficient and highly thriving economy.

The CHAIRMAN. So they have refused to extend most favored nation treatment to Japan.

In addition to that, do not practically all those countries have quantitative limits on what Japan can ship in?

Mr. DARMAN. They do. They are described as voluntary arrangements and many of them are very difficult to get our hands on but in the case of the United Kingdom, for example, there is a voluntary arrangement between Japan and the United Kingdom which limits the amount of worsted fabric to be brought into the United Kingdom or did limit it in the period I am describing here to 400,000 yards a year, which is an insignificant total quantity.

Moving into another area, low priced wool cloths from Italy are being entered in the United States duty free through the Virgin Islands and through tariff loopholes. The U.S. Tariff Commission has found that in some recent years these imports made of reclaimed wool have exceeded 80 percent of the U.S. market. The Congress fortunately

has closed several of these loopholes but unfortunately others have appeared involving certain wool-silk blends and laminated cloths. In recent years more and more wool textile imports have been coming from Japan and other Asian sources such as Hong Kong, South Korea, Taiwan, and India, these countries with an even lower wage structure than Japan.

Wages in wool textile mills abroad are far below even the $1.60 per hour minimum required under the U.S. Fair Labor Standards Act. The $2.14 average hourly wage in the U.S. wool textile mills is about six times that paid in Japan and even more than that when compared with Hong Kong, South Korea, Taiwan, or India.

Unless action is taken by the Congress, continuing deterioration in the position of domestic supplies in the U.S. market appears inevitable as an ever-expanding range of supply of imports enters this market at duty-paid prices well below those necessary for profitable operation of highly efficient U.S. plants.

The inevitable question of how long U.S. manufacturers can or will continue operations in the United States is very real and very present. Their efficiency, nowhere excelled, simply cannot offset the wide disparity between wages here and abroad. This means that imports cannot be offset by exports.

The provisions of Senator Hollings' bill, S. 1796, are in our view fair to exporting countries and to the U.S. importers. This bill would permit a large volume of imports into the United States. It would permit imports to share in the future fortunes of the U.S. markets. It would inject order into the present chaotic situation.

When U.S. manufacturers can look forward to supplying a reasonable share of their own domestic market in a climate of fair competition as we in the United States know it, we are fully confident of the industry's ability to achieve the goals it seeks. The industry wants to keep the United States one of the principal wool manufacturing nations in the world, which it is today. It wants to see the trends toward contraction halted and reversed. It wants to participate in the growth of the U.S. economy offering ever-better products to American consumers at reasonable prices and employing more and more Americans at U.S. wage standards.

In our judgment, the solution to the wool textile imports problem lies in a system of reasonable import limitations on all—and we would emphasize "all"—textile articles. Unless and until this is achieved, on a total textile product basis, there will have been no solution to the wool textile import problem.

Last July, in a public statement the National Association of Wool Manufacturers endorsed Senator Hollings' bill, S. 1796, and I am pleased to have this opportunity to reaffirm our support to this committee.

Thank you very much, Mr. Chairman and members.

(Mr. Darman's prepared statement and the statement of Mr. Merle S. Robie, referred to previously follow:)

PREPARED STATEMENT OF MORTON H. DARMAN, CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS, ALSO SPEAKING FOR NATIONAL WOOL GROWERS ASSOCIATION

Mr. Chairman and members of the Committee on Finance, my name is Morton H. Darman. I am manufacturer of wool tops, and serve as Chairman of the

Board of the National Association of Wool Manufacturers, 1200 17th Street N.W., Washington, D.C. I am president of The Top Company of Boston whose manufacturing plant is the Barre Wool Combing Co. in South Barre, Mass. I am speaking today also on behalf of the National Wool Growers Association and accompanying me is Edwin E. Marsh of Salt Lake City, Executive Secretary of that Association.

The National Association of Wool Manufacturers is the national trade organization of the wool textile industry. Its members produce about 70% of the wool textiles, other than carpets and rugs, made in the U.S. on the woolen and worsted systems. In terms of looms, 47% of the industry is in the Southern states, 36% in the New England states, 13% in the Middle Atlantic states and 4% in the North Central and Western states.

Our industry is the sole customer of the 300,000 American wool growers. The growers therefore are directly concerned with the prosperity—or lack of it—in the U.S. mills. Their concern over imports of wool textile articles is readily understood when it is realized that the raw wool content of these imports in 1966 represented a poundage almost equal to domestic production of shorn wool in that year. None of the imported wool articles was made of U.S. wool.

U.S. wool manufacturers believe that a healthy domestic wool growing industry is not only desirable from the standpoint of manufacturers but also that it is in national interest. We have supported the National Wool Act of 1954 since its inception. The Act declares the policy of Congress that "wool is an essential and strategic commodity" and that its production must be encouraged "as a measure of national security and in promotion of the general economic welfare."

Wool has no strategic or security value, however, unless the U.S. has the capacity to convert it into essential civilian and military articles. Thus there is a joint four-fold interest in wool and wool manufacture by the Congress, the growers, the mills and their employees. The essentiality of wool and wool manufacture becomes quickly evident in every national emergency and the Office of Defense Mobilization has found an adequate wool textile industry essential to national security. I think you will agree, gentlemen, that this country must have both a supply of wool and the means to manufacture it.

Action is overdue to make access to the U.S. market for imported textiles equitable and orderly, to assure a fair sharing of growth in this market when it occurs and to avoid concentration and disruption in any area. Action is long overdue on wool textile articles where the raw wool content of the imports, excluding carpets and rugs, already had reached 30 million pounds in 1956 and expanded to almost 84 million pounds in 1966, an increase of over 50 million pounds. This far exceeded any growth in the size of the U.S. market and the consumption of apparel class wool in U.S. mills in 1966 fell about 30 million pounds behind that of 1956. The share of the U.S. market for all wool textile articles combined that is supplied by imports increased from nearly 8% in 1956 to over 13% in 1961 and now exceeds 21%, according to measurements by the Department of Commerce. The ratio of imports to domestic production now exceeds 26%, and is much higher in some wool textile areas.

In worsted cloth it is nearer 50% and there is almost as high a ratio in certain men's wool shirts, mainly from Japan. About one-half of the men's regular-weight suits produced in the U.S. are made of imported cloth, most of it worsted cloth, also from Japan. About 62% of Japan's exports of worsted cloth in 1966 went to the U.S., compared with only 3% to all of Europe. For every woman's wool sweater knit in the U.S., another is being imported, mainly from Italy and Hong Kong. In still another area, low-priced woolen cloths from Italy are being entered into the U.S. duty-free through the Virgin Islands and through tariff loopholes. The U.S. Tariff Commission has found that in some recent years these imports, made of reclaimed wool, have exceeded 80% of the U.S. market. The Congress fortunately has closed several of these loopholes but unfortunately others have appeared, involving certain wool-silk blends and laminated cloths.

In recent years more and more wool textile imports have been coming from Japan and from other Asian sources such as Hong Kong, South Korea, Taiwan and India, with even lower wage structures. Wages in wool textile mills abroad are far below even the $1.60 per hour minimum required under the U.S. Fair Labor Standards Act. The $2.14 average hourly wage paid in U.S. wool textile mills is about 6 times that paid in Japan.

Unless action is taken by the Congress, continuing deterioration in the position of domestic suppliers in the U.S. market appears inevitable as an ever-expanding range and supply of imports enters this market at duty-paid prices

well below those necessary for profitable operation of highly efficient U.S. plants. The inevitable question is how long U.S. manufacturers can or will continue operations in the U.S. Their efficiency, nowhere excelled, simply cannot offset the wide disparity between wages here and abroad. This means that imports cannot be offset by exports.

The provisions of Senator Hollings' bill, S. 1796, are fair to exporting countries and to U.S. importers. This bill would permit a large volume of imports into the U.S. It would permit imports to share in the future fortunes of U.S. markets. It would inject order into the present chaotic situation.

When U.S. manufacturers can look forward to supplying a reasonable share of their own domestic market in a climate of fair competition as we in the United States know it, I am fully confident of the industry's ability to achieve the goals it seeks. The industry wants to keep the U.S. one of the principal wool manufacturing nations in the world. It wants to see the trend toward contraction halted and reversed. It wants to participate in the growth of the U.S. economy, offering ever better products to American consumers at reasonable prices and employing more and more Americans at U.S. wage standards.

In our judgment the solution to the wool textile import problem lies in a system of reasonable import limitations on all textile articles. Unless and until this is achieved there will have been no solution to the wool textile import problem.

Last July in a public statement, the National Association of Wool Manufacturers endored Senator Hollings bill, S. 1796, and I am pleased to have this opportunity to reaffirm our support to this Committee.

STATEMENT IN SUPPORT OF S. 1796, A BILL TO IMPOSE QUOTAS ON THE IMPORTATION OF CERTAIN TEXTILE ARTICLES, SUBMITTED BY MERLE S. ROBIE, ON BEHALF OF THE CORDAGE INDUSTRY

Mr. Chairman, members of the committee, my name is Merle S. Robie, the Executive Vice President of Columbian Rope Company and I am also the Chairman of the Executive Committee of the Cordage Institute. The Cordage Institute represents virtually all of the producers of rope within the United States. We deeply appreciate this opportunity to present our views to your Committee.

We are familiar with the various bills that have been introduced in both Houses of the Congress which are designed to provide for an orderly trade in textile articles. These bills and the various statements that have been made concerning them have been studied carefully. The members of the Cordage Institute unanimously support the objectives of these bills and are in agreement with the views I express at this time.

Mr. Chairman, I am sure that both you and the members of this Committee are well aware of the fact that cordage products have always been considered as textile products and that the Cordage Industry has been considered a part of the Textile Industry. Schedule 3 of the Tariff Schedules of the United States covers all Textile Fibers and Textile Products. Part 2 of that Schedule covers cordage and only farm twines made from hard fibers are, and will continue to be, excluded from any type of import control. Within the Executive Branch of our Government cordage matters are administered by the same individuals and officers handling other textile products.

We as an industry are in complete support of the effort being made by the sponsors of S. 1796 which, if enacted, will offer a reasonable chance of survival to the textile industry as a whole and to those few remaining companies producing rope within the United States.

The availability within our country of companies with the know-how and equipment to make rope is essential to our national security. This is best evidenced by the fact that the Congress authorised and the Executive Branch has stockpiled the raw materials to insure that such cordage products can be produced in time of war. While the increasing availability of synthetic fibers for the manufacture of rope has lessened the need to stockpile raw materials, the absolute need to maintain manufacturing capacity still remains. It is an unfortunate fact that since the end of World War II there has been a substantial decline in the number of companies producing cordage products and if this continues it is quite likely that many of the remaining companies will go out of business.

The trend towards the use of synthetic ropes is the most significant change which has occurred in our Industry. American manufacturers pioneered the research in this field and were confident that this new type of rope would restore their position in the domestic markets. The Kenndy Round has reduced the duty

by 50% on such rope and it now appears that we will no longer be competitive in a field which was developed out of our own resources. So, our hopes for the future based on synthetics have been replaced by the certainty that we cannot successfully compete in this field unless we are assured of some of our domestic market.

In substantial part the decrease in the domestic capacity to produce rope resulted from the resurgence after World War II of manufacturing capacity throughout the World which corresponded to a decline in the demand for hard fiber rope. The War years were, of course, abnormal years since the demand for rope was at an all time high and there was practically no foreign capacity available to us. Fortunately, the domestic cordage industry at that time was large enough to meet most of our wartime requirements.

This is not the case today. Due to the reduced number of cordage companies, I seriously doubt that we could duplicate the effort that we made in World War II. Certainly, if our Industry continues to decline our country will be faced with unacceptable risks of shortages in the event of war. We fully understand the growth of imports and their effect. From the management standpoint we are doing all we can to complete and thereby stay in the business of producing rope. Despite our best efforts the number of companies in this business has steadily declined. This trend will continue unless a major share of the U.S. market is kept available for our producers.

For the reasons I set out above, we wish to add the support of our Industry to that of the other members of the Textile Industry in recommending the prompt enactment of legislation which will insure American companies remaining available for the production of these essential products in either peace or war. In addition we recommend to the Committee that any legislation be crystal clear that the treatment of textile articles include cordage products. This recommendation is acceptable to the textile industry generally.

Thank you very much.

The CHAIRMAN. Thank you for the fine statement you made. Let me ask you about the question that is being propagandized in newspapers that are opposed to your industry here. It is said that if we give you the protection you are asking for, prices will go up or at least we will be denied lower prices.

What is your reaction to that charge?

Mr. DARMAN. I will answer that question, if I may, along these lines. I will defer to you, Mr. Jones, if you prefer to answer it.

Speaking as far as our experience is concerned with woolen and worsted products, the legislation which we are supporting and which you are considering would not disturb the present relationship of the foreign product and the domestic product in this market. It would provide, as we see it, a sharing of any further growth in this market. Therefore, from the way we see the situation in the market, supply and demand should not be disturbed unless there is a total unwillingness on the part of the foreign government to participate in this equitable arrangement, and if there is no disturbing of the present supply-demand relationship and the sharing of the growth in the future which would maintain it, we do not regard this as being potentially inflationary. And if you think of the various things which each of you own, think of what you pay for a suit of clothes as against almost anything else that you own and I think you will find you have got extremely good value in your apparel.

Mr. JONES. May I add a word to that?

Textile articles as a whole continue to be among the most economical articles that the American public buys. Our price indexes have remained very stable at a time when other indexes in the country have been going up.

In addition to that, I think as Mr. Darman has pointed out, the legislation which is before you will not cut back supplies of foreign goods.

Its purpose is to prevent their just swamping the market and that therefore the kind of price patterns which we have had over the past several years could be expected to continue which would mean still a continuing sound price basis as far as the American consumer is concerned.

The most valid assurance the consumer can get on textile pricing is to have a strong, highly competitive, domestic textile industry and that is what we are trying to assure here.

The CHAIRMAN. Well, I am frank to say that if I were in the textile business and I saw that the U.S. Government is not going to protect its industry and that it is going to let this 17-cent labor at Hong Kong and the 66-cent labor in Japan and the 54-cent labor in Italy take our markets, then I would be in a footrace to pick my plant up and take it to one of those countries where I could continue to exist as a business establishment.

Do you see any other choice that you have available to you if that is the policy we are going to adopt?

Mr. JONES. If the industry becomes convinced that the Government by its inaction is determined to liquidate it, it would have no other choice.

The CHAIRMAN. If the Government is going to sit there and do nothing about it and continue to say it would be unlawful, it would violate GATT, it would create international problems to save this industry, the industry would have no other choice but to go overseas.

Mr. JONES. That is correct.

The CHAIRMAN. You might move it to Mexico or goodness knows where, but get out of here, put it over in Hong Kong, Taiwan, South Korea, any place where you can get cheap labor. That is the only answer I can see other than this Government giving you some kind of protection.

Can you see any other answer?

Mr. JONES. That is our view of that. That is correct.

The CHAIRMAN. It is just that simple. I suppose if I were in a foreign country in a position to attract American capital and American ingenuity and know-how to help bring development and if I could gain access to these American markets, I suppose I would pick out the industries where the wage rates are highest because that is where I could make the most money and I would train people and I would take over the automobile industry. That is a high-wage industry. I would also take over the electronics industry. That is a relatively high-wage industry. I would take over high-wage industries. Now, does that not make ordinary commonsense?

You take the petrochemical industry. That is a high wage industry. They are in the process of building plants overseas right now to try to hold on to their overseas markets. Does that not just make good sense, that the industries you want are the high cost industries—there is no point in taking over the ones that have the $1.40 minimum wage standards. Take those over that pay a lot more than that. Would that not make good sense?

Mr. JONES. That certainly would be the principal objectives of your campaign.

The CHAIRMAN. Any foreign country just thinking of its national interests would conclude that is the logical thing to do. Why take over

those low-wage industries, when you can take over the high-cost ones. You could make a lot of money at it and that is just good policy for them if this country is foolish enough to let them have it. It would seem to me that that is the only logical answer.

Thanks very much.

Senator TALMADGE. Mr. Chairman, at this point I would like to insert in the record a statement from Mr. William L. Lanier, who is a cotton producer in Georgia, also president of the Georgia Farm Bureau Federation, who is representing the National Cotton Council. Mr. Lanier, will you stand, please.

The CHAIRMAN. That will be done.

(Mr. Lanier's testimony follows:)

TESTIMONY OF WILLIAM L. LANIER, REPRESENTING THE NATIONAL COTTON COUNCIL

I am William L. Lanier, cotton producer of Metter, Georgia, and President of the Georgia Farm Bureau Federation. I am here to represent the National Cotton Council, central organization of the American raw cotton industry, which has headquarters in Memphis, Tennessee.

We have filed a statement which details the Council's position favoring legislation that will effectively deal with the problem of textile imports. In my brief testimony, I want to underline the gravity of this problem from the standpoint of those who produce, handle and process raw cotton.

We desperately need an expanding domestic market for American-grown raw cotton. This need is evidenced by the drastic cutbacks in U.S. cotton acreage which have been brought on by inadequate markets. It is evidenced by the fact that cotton farmers, out of their own pockets, are putting up a dollar a bale for research and promotion to build their domestic market.

But expanding textile imports are one of the very big reasons why we are being denied an expanding domestic market—as the exhibits attached to our statement clearly show. Exhibit A shows how imports have shot up over the past 20 years. They are now at a level equal to about a million bales that could have been supplied by American raw cotton. Our statement documents the fact that the cotton in these imports is primarily grown in foreign lands. It is manufactured into end-products in foreign countries whose wages and living standards are far lower than ours. In this country, we have a built-in cost structure which makes it impossible for our textiles to compete with foreign-produced textiles.

Exhibit B shows the record of U.S. mill consumption of U.S. grown cotton. Across this 20 years we see no evidence whatever of growth in our domestic market for U.S. cotton. Total consumption of cotton products in this country has gone up by the equivalent of a million bales. But imports have taken all of this growth.

Since 1961, our government has had Short Term and Long Term Arrangements for restraining the flow of cotton textile imports into the U.S. But in this period, imports have had their most spectacular growth. They have more than doubled. We believe that only the Congress can provide an effective answer to this critical problem.

STATEMENT ON TEXTILE IMPORTS SUBMITTED BY NATIONAL COTTON COUNCIL

The National Cotton Council is the central organization which represents all seven branches of the American cotton industry—cotton producers, ginners, warehousemen, merchants, cooperatives, manufacturers and cottonseed crushers. Its headquarters are in Memphis, Tennessee. This statement is presented from the standpoint of those who produce, handle, and process raw cotton.

Historically, the Council has been for a high level of international trade, and this remains one of our basic positions today. Our interest in international trade stems from several things—and especially from the fact that we traditionally export about one-third of the raw cotton produced in this country.

At the same time, we have always recognized that the domestic market for raw cotton is the biggest and most dependable market we have. We have long had a position recognizing the need for reasonable restraints on imports of textile products which displace cotton consumption in the United States.

The Council strongly supports the basic principle in the bills now pending in both houses of the Congress which would effectively deal with the problem of textile imports. This principle, as we see it, is that the people of this country, including our raw cotton people, are entitled to be able to plan for the future with some dependable understanding as to how much of our domestic market will be, and how much will *not* be, turned over to foreign competition that we cannot possibly meet. We believe in the principle that the limits upon textile imports into this country should be reasonable from the standpoint of our own people, as well as people in foreign countries. We believe these limits should be at levels which will not usurp cotton's current markets and their future growth. We believe that those limits should be determined not by individuals in the Executive Branch of our Government, but should be spelled out in law by the Congress.

We are attaching a chart (Exhibit A) which indicates the reason for our deep concern from the standpoint of raw cotton. This chart contains one bar for each calendar year in the whole 20-year period, beginning with 1948 and extending through the latest indication which we have for the present year, 1967. Each bar represents the raw cotton contained in the textile products imported each year—in other words, the cotton which we imported in manufactured form. For the present year we now have the actual record for the first eight months, and we have projected the full year by assuming that the last four months will be in proportion to the first eight months.

A good bit is being said about the drop-off in the level of cotton textile imports this year as compared with last year. The decline is from 1,033,000 cotton bale equivalents last year to something like 972,000 bales this year—a decline of less than 6 percent.

To see this drop-off in its true light, however, just look at the chart showing the record of experience over a period of years. It is not very unusual to have a decline in these imports from time to time. This latest one simply reflects the fact that the textile business in this country was far stronger last year, taken as a whole, than this year. Cotton consumption, for the latest reported month, is down 10 percent from last year. The big point to note here is that after rising last year by 38 percent, these imports are declining this year by only about 6 percent. The truth comes out when we look at the whole picture on this chart and see that across a long period of years the trend in these cotton imports has been powerfully upward.

Remember, too, that this chart doesn't cover imports of manmade fiber products—which also have a powerful uptrend. These imports often compete directly with domestically-produced cotton products.

Keep in mind, too, that additional pressures to send imports into this country have been generated by the recent Kennedy Round tariff cuts on both cotton and man-made fiber products.

When we put all this together, it shocks us to consider what may happen to our domestic raw cotton market over the next five to ten years.

It is sometimes thought that cotton textile imports are largely made of American cotton, which is exported in raw form, manufactured into textiles abroad, and then exported back to us. There was some merit to this idea many years ago when the U.S. supplied a relatively large share of the world market. But today, the U.S. supplies only a small share of the cotton consumed abroad. Moreover, the main increases in our cotton textile imports during recent years have been from countries which grow their own cotton. Last year the ten countries with the largest textile exports to the United States were countries which, taken as a whole, now get only about 12 percent of their cotton requirements from us. These imports are largely foreign-grown cotton which we are importing in manufactured form. Today there are many foreign countries which grow their own cotton and manufacture it locally in rapidly expanding textile industries of their own.

Now, why are the foreign textile interests so successful in sending their products into the United States market? We all know the answer. Labor and many other things that enter into the cost of a textile product—including taxes—are much higher here than in the countries sending textile exports to the U.S.

In our country, textile workers enjoy far better wages, employment conditions and other benefits than their counterparts abroad. We are proud of the high standards that have been achieved for labor—and for other groups in our economy—under the American system. But these standards cost big money. Our textile manufacturers have to pay for them in the form of wages and other benefits for their own employees. They also have to pay in the form of heavy taxes for various government programs which benefit citizens in all sectors of our economy.

The whole point here is that our American standard of living results in a much higher, built-in cost structure which makes it impossible for U.S. textiles to compete with foreign-produced textiles. There is no foreseeable end to this situation. There is no limit to the amount of our domestic cotton market that can be destroyed, unless dependable import policies are established.

The American raw cotton industry is struggling very hard to rebuild for itself a sound place in our economy. Under the Food and Agriculture Act of 1965, the federal government is spending vast sums to reduce production. Our whole industry has borne heavy costs and hardships in working out from under the burden of an all-time high surplus.

Why has our cotton acreage been so severely restricted? Because we have not had adequate markets to accommodate our great ability and our great need to produce cotton. It is hard to reconcile all this with a policy which permits this rapid erosion of our markets by imports.

U.S. cotton farmers are now putting up a dollar a bale out of their own pockets in a great new program of research and promotion aimed at increasing consumer demand for cotton products in our domestic market. But with the import situation as it is, who will benefit from the increased market—the cotton growers of this country or foreign producers?

Keep in mind, too, that the cotton growers of the U.S. are working desperately to get their costs down enough to meet price competition without government subsidies. In this day and age, it takes immense investments in land and equipment to achieve the lowest possible unit cost of production. How can farmers justify these investments—either to themselves or their creditors—unless there is some basis for confidence in what the future holds?

Another side of the investment problem is the future attitude of American textile manufacturers toward plowing hundreds of millions of dollars a year into new plants and equipment in this country. If they have confidence that imports are going to be held under reasonable restraint, they will continue to make these massive investments in the United States. They will continue to provide the biggest and most reliable market for American-grown cotton. On the other hand, if they face the prospect of a big and continually-accelerating import problem, they are going to find it highly attractive to shift their investments—and the jobs that go with them—to foreign lands. They will be encouraged to locate their new plants outside of this country, where they can enjoy the same advantages that the foreign mills now have. If this happens, American cotton farmers will suffer a drastic loss in their domestic market—just as textile workers will suffer a drastic loss in jobs.

There has been a degree of restraint upon rising imports under the various quotas which have been established within the provision of the so-called Long Term Arrangement. The situation could have been worse without this Arrangement. But it should be very apparent in the figures which you see on the chart that the net effect of this effort has been completely inadequate. It has permitted a rate of expansion of these imports which is absolutely intolerable.

Section 204 of the Agricultural Act of 1956, which our organization sponsored, provided the President with authority to enter into an agreement of this nature. But this Act speaks altogether in terms of *limiting* the importation of such products. Actually, however, when we read the terms of the Long Term Arrangement itself, we find that its very purpose, as expressed in its preamble, includes more emphasis upon *expanding* the export markets for cotton textiles produced in the less-developed countries than upon limiting the "disruption" which is caused thereby.

One of the basic provisions of this Arrangement is that the restraint measures established under it shall include automatic annual increases of *at least* five percent. This is often spoken of as the provision for "growth." There seem to be all kinds of ideas as to how much growth is occurring in the domestic market for U.S. cotton. In order to get the record straight, we should just look at the second chart (see Exhibit B attached). This also has a bar for each calendar year, beginning with 1948 and extending through the present year, which is given as a projection of the actual record for the first eight months of this year. Each bar shows the number of bales of cotton which were consumed by our domestic mills in each of these years.

How much growth do you see here? There was some improvement between 1963 and 1966, but undoubtedly some of this merely reflected an upward movement in the business cycle. There is some let-off in 1967. If we look honestly at this whole picture across a period of years, we have to admit frankly that there is as yet no evidence of any long-term growth at all. We are not any

higher than we were 20 years ago. We desperately need to have our market grow. The cotton farmers of this country are making a bold and expensive effort to create some growth for the future. But up to now—well, you see the record.

In explaining why our domestic market hasn't grown, we always put a lot of emphasis upon our synthetic fiber competition. But I also just ask you to look back now at the first of these two charts, where you see a very clear-cut reason why our market hasn't grown. Here are a million bales of potential market growth which went down the drain to import competition. And here is the threat of staggering future inroads upon our market.

We noted that the Long Term Arrangement calls for a *minimum* annual increase in every quota of 5 percent. But what is the *maximum?* There is no maximum. The maximum is always up for negotiation in every individual case as it comes along. And the negotiations are carried on by individuals—by men who tend to make decisions in terms of what is best for foreign policy, rather than what may be best for the nation as a whole. The law provides no limit to the imports that they can let in. What we have now at this vital spot in our economy is a government not of laws, but of men.

They are free to bargain with men representing each foreign government, and they can take into consideration whatever they think is appropriate. There is no intention here to criticize any individuals; rather we criticize a system which clearly turns over to individuals the power to trade away our market. It is perfectly obvious that they have done a good bit of it.

Not many months ago we were all most interested in the negotiations for an extension of the Long Term Arrangement. A bargaining device which was used in getting any number of foreign countries to go along with the extension was simply that of handing them an increased slice of our market in the form of a "bonus" added to their quotas. The size of each "bonus" was presumably governed to some extent by the difficulty encountered in getting the individual country's assent. In any case what we finally got was not another five years agreement, but one of only three years. This moves us two years closer to the time when we shall be haggling again for another extension and dealing out more "bonuses." Where will all this lead us? It points to no future for American cotton. In order to build a future, we have to have something we can depend upon. We believe that only Congress can provide an effective answer to this critical problem.

EXHIBIT A

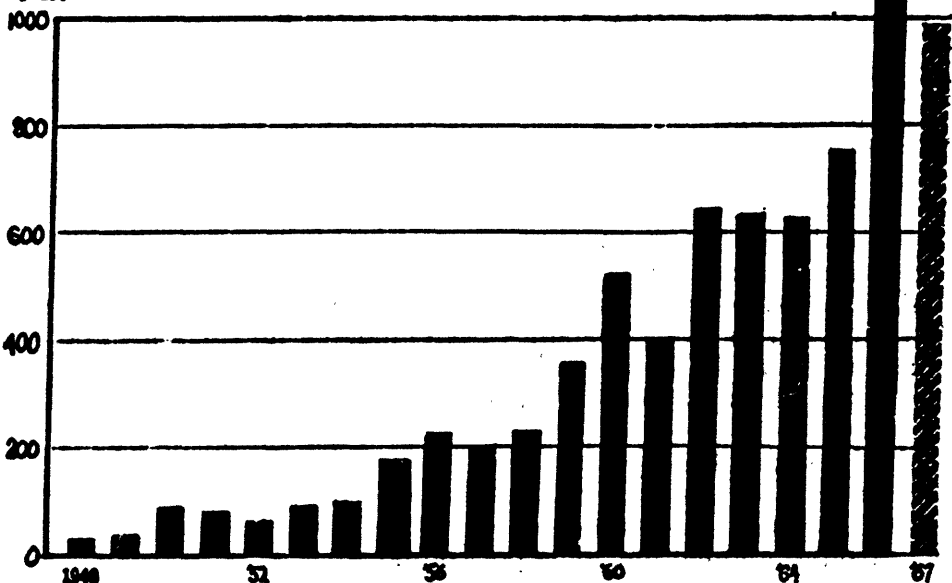
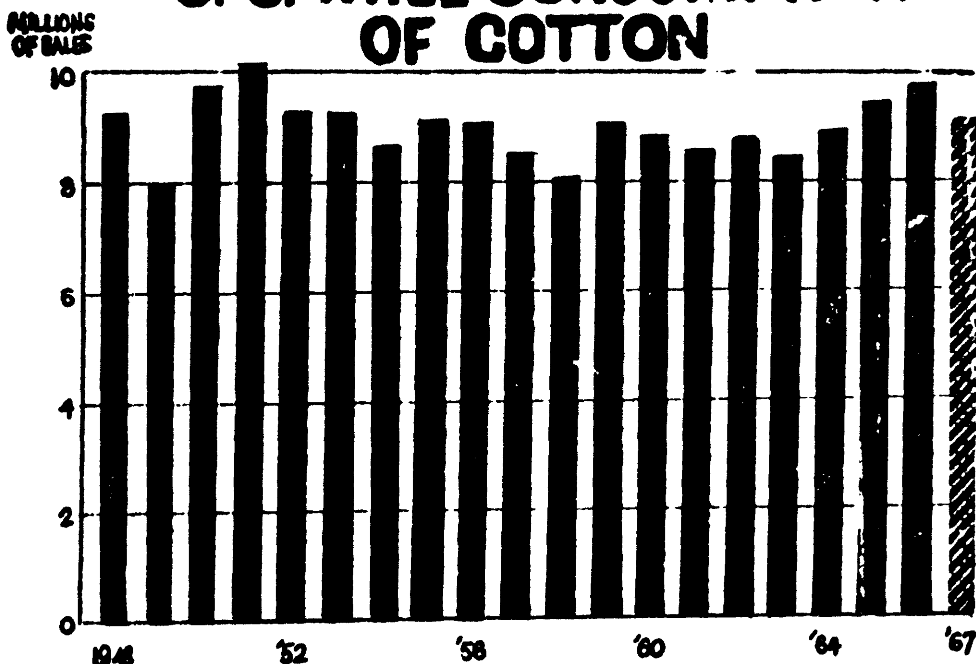


EXHIBIT 8



Senator HARRIS. Our next witness, still on the subject of textiles, is Mr. Michael P. Daniels, representing the textile and apparel group, American Importers Association.

STATEMENT OF MICHAEL P. DANIELS, COUNSEL, TEXTILE AND APPAREL GROUP, AMERICAN IMPORTERS ASSOCIATION; ACCOMPANIED BY BERNARD L. HOHENBERG, CHAIRMAN, TEXTILE AND APPAREL GROUP; AND EDWIN A. ELBERT, ASSISTANT EXECUTIVE VICE PRESIDENT, AMERICAN IMPORTERS ASSOCIATION, SECRETARY, TEXTILE AND APPAREL GROUP

Senator HARRIS. We are pleased to hear from you at this time.

Mr. DANIELS. I would like to introduce Mr. Bernard L. Hohenberg, who is the chairman of the group, and Mr. Edwin Elbert, who is the secretary of the group, and also assistant executive vice president of the American Importers Association. The name of our group is the textile and apparel group.

Senator HARRIS. It is not as listed here.

Mr. DANIELS. The world products group was formerly the name of this group. The name has since been changed and our members and functions expanded to cover all textiles and apparel.

Senator HARRIS. Very well. That correction will be made in the record.

Mr. DANIELS. Thank you.

Senator Harris, may I request that my statement as printed go into the record and that I allowed to, in the interest of conserving time, skip around and cut out some portions?

Senator HARRIS. We would appreciate your doing that, and without objection, that will be done.

Mr. DANIELS. The Textile and Apparel Group of the American Importers Association opposes the imposition of quotas on imports of textiles and apparel products. Its opposition is based both upon the serious consequences of quotas on this trade and upon the complete absence of economic facts to justify restrictions.

Our fundamental contention is that the economic facts simply do not justify restrictions on this trade. We believe these facts and this judgment explain the refusal of foreign nations to negotiate an agreement covering our textiles and apparels, without regard to type of fiber.

The group has always been ready to set out its economic case in writing in the most complete detail and to stand or fall on the economic facts of the matter. In response to the administration's 1966 announcement of a study of the trade in wool products, this group submitted to the Cabinet Committee on Textiles a three-volume study of relevant economic facts.

I have the study with me today. We have submitted it to the staff and also to members of the committee. I will not burden the record with asking that this be inserted. It is there. You see the weight and depth.

Senator HARRIS. We will receive it into the committee files, rather than as part of the record.

Mr. DANIELS. Thank you, sir.

(The document referred to will be found in the official files of the committee.)

Mr. DANIELS. The study included 225 statistical tables and 115 charts and graphs, and an analytic text of some 156 pages. There has never been a response by the domestic textile or apparel industries. They have refused to assume their burden of proof. They apparently shy away from the facts and abhor an objective inquiry into the true state of affairs.

For this reason, we believe that President Johnson and Congressman Mills have taken the wisest course in ordering the Tariff Commission to investigate the economic situation of the domestic textile and apparel industries and to make an analysis of the present and perspective impact of imports upon these industries. As the President stated in making this request:

> We must have all the facts possible to guide our future action in this important field.

For our part, we are now preparing our economic case for presentation before the Tariff Commission. We assume, of course, that the domestic textile and apparel industries will present the facts as they see them. We trust that the Congress will await the results of this investigation, as Secretary of Commerce Trowbridge suggested, and that it will not take precipitous action based only upon the allegations of the domestic industries. These allegations, we believe, do not present an accurate or meaningful picture of the realities of these industries.

In the necessarily limited time accorded to us in these hearings, we can only sketch our economic case in broad outline. We will, of course, make available, to the committee our brief and other materials which we submit to the Tariff Commission.

The performance of the domestic industries since 1961 has been truly spectacular. By every general measure, the industries have experienced substantial growth. We invite the attention of the committee to the charts and tables attached to our statement which we also ask to be made part of our presentation here.

Senator HARRIS. Without objection, that may be done.

Mr. DANIELS. And I am just going to briefly, in words, describe the tables.

(The tables referred to start at p. 635.)

Mr. DANIELS. The first table shows the index of industrial production for the textile mill products industry. The very strong upward curve of the line, particularly from 1961 on, certainly shows a picture of health in the textile mill products industry. It grew—the index—from 94.3 in 1958 to 142.3 in 1966.

Figure 2 shows the index of industrial production for apparel products industry.

Senator HARRIS. Which one?

Mr. DANIELS. Figure 1, Senator Harris, was the textile mill products industry.

Mr. ELBERT. It follows page 9, Senator.

Senator HARRIS. That shows production?

Mr. DANIELS. It is the index of industrial production as computed by the U.S. Government.

Senator HARRIS. All right.

Mr. DANIELS. Figure 2 shows that from a low of 95.3 in 1958, the apparel products industry index rose to 150.3 in 1966, with, again, the most spectacular growth taking place between the years 1961 and 1966.

Now, figure 3 shows sales for the textile mill products and apparel products industry for the years 1961 through 1966, and here sales for the textile mill products industry grew from $13.4 billion in 1961 to $19.5 billion in 1966—an increase of over 45 percent.

The apparel industry sales increased from $12.4 billion to $18.1 billion—a growth factor of about 50 percent.

In figure 4 we show the really spectacular rise in profits for these industries. In 1961, for the textile mill products industry, profits rose from slightly below $300 million to over $700 million—a more than doubling of the profits of this industry—and for the apparel products industry, a growth profit of from about $150 million to over $400 million was experienced by the industry, more than tripling their profits over this period of only 6 years.

Figure 5 charts U.S. domestic consumption of all fibers, of manmade fibers, cotton, and raw wool. Here, again, we see the strong upward movement starting in 1961 through 1966 in total U.S. domestic consumption of fibers—an increase of on the order of 50 percent. What is interesting about the chart, and the reason we have it here, is to show the relative growth of natural fibers, cotton, and wool, as compared to manmade fibers. The manmade fibers show a very marked increase from 1961 to 1966, with wool rather sluggish, cotton sluggish up until 1963 when it, too, started to rise. We think this is a key table because the domestic industry and the importers both claim and acknowledge that this is an all-fiber industry. What has happened here is that the domestic industry has only emphasized the figures by segments—that is, by wool or by cotton—and obscured the real growth in manmade

fiber consumption which is substituting for both cotton and wool. And, we think a realistic picture, since it is an all-fiber industry, is to look at the top line; that is, total U.S. domestic consumption.

We have also in our tables shown figures for mill consumption alone, which show exactly the same pattern. I refer particularly to table No. 3 attached to the statement. Even the curve that we have shown for manmade fiber consumption does not tell the whole story because this combines both the cellulosic and the newer noncellulosic fibers.

If you took the noncellulosic fibers alone—and these are the fibers which have been primarily in recent years substituting for cotton and for wool—mill consumption grew from about 500 million pounds to over 2 billion pounds in a period of 10 years—an increase of about four times.

Turning now to figure 6, we have made a comparison between domestic consumption and mill consumption.

Senator HARRIS. What do you mean by domestic consumption?

Mr. DANIELS. Sir, that is a technical term which we use in this business. This is—in this particular chart that we are showing this is merely consumption of all fibers, minus the fiber content of exports of manufactures and semimanufactures, plus imports—the fiber content of imports of manufactures and semimanufactures.

Senator HARRIS. I am almost sorry I asked.

Mr. DANIELS. Well, what you are trying to get when you get a domestic consumption figure is an idea of what was consumed in this marketplace, and you naturally subtract your exports because they are going out of the country and you add your imports.

Now, we have also shown on figure 6, as you will notice, a line for mill consumption.

Senator HARRIS. That is particularly what I was interested in: the distinction between domestic consumption and mill consumption.

Mr. DANIELS. Well, domestic consumption is a market concept and mill consumption is an industrial concept, if that distinction makes any sense.

Although you would have to account for the exports, the distance between mill consumption and domestic consumption also measures import measures very roughly. You would have to adjust for exports, but we have also shown imports on the bottom line of the chart.

This is an admittedly crude way to measure your competitive impact. It is the only overall measure that you can come up with. It could be adjusted in one way or another. There is great dispute as to how you adjust either one of these figures, but certainly the relative movements, no matter what the adjustments would be, are as shown on this chart. And, here I think it is quite clear that there has been a tremendous upswing in both domestic consumption and mill consumption from 1961 through 1966 with imports a rather shallow line at a low level.

Since the imports started at a low base, if you want to talk about percentage increases, you might come out with a rather high figure for the increase of imports, say 1966 over 1965, but what is important is not the percentage increase, it seems to us, but the absolute increase which is shown on this figure in domestic consumption and mill consumption.

As shown in table 6, while imports were growing by about 160 million pounds or 170 million pounds, on that order, domestic consumption was growing by three-quarters of a billion pounds. So that you are talking about magnitudes that are important rather than percentage figures which are sometimes misleading.

There has been no injury here. We think figure 6 shows that there has been no injury on an overall basis, and certainly this is not a pattern of production and imports which would justify the very extraordinary restrictions such as are embodied in S. 1796 or subsequent amendments of that proposed quota legislation on textiles and apparel.

The concept of these bills appears to us to be unsound and unnecessary. We believe they violate the fundamental economic principles which have governed our economy and which have created the abundance and prosperity of our society.

In the first half of 1966, with the economy and consumer demand both at very high levels, the textile and apparel industries operated at practically 100 percent of capacity. They experienced severe labor shortages, bottlenecks in production, and severe inflationary pressure. Increasing procurement by the military compounded these difficulties.

The rise in imports in 1966 was attributable to an extremely tight supply situation, increasing prices, and strong demand by the domestic industries themselves for imported semimanufactures. These demands could not be met by domestic production alone. With the slowdown in the economy generally in the last part of 1966, orders declined and inventories accumulated rapidly.

I think there is a very essential point here. These industries do not exist in a vacuum. They exist in an economy, and the entire economy has experienced a similar slowdown starting with the last half of 1966; a leveling trough, and now a pickup which we are sure will happen in the case of textiles as well.

Now, in 1967, we have seen a working off of inventories but with the economy and the textile and the apparel industries resting on a high plateau. This is described, Senator, in a memorandum which we prepared on August 28, which is slightly out of date now and there have been revisions in the figures, but we would like to submit it, nonetheless, for the record in the interests of conserving time, because it goes into——

Senator HARRIS. Without objection, that will be included in the record.

(The memorandum referred to above appears at p. 639.)

Mr. DANIELS. The other point that I think is important in comparing the relative performance of imports and the domestic industry in 1966 and 1967 is to compare like with like. What we have generally seen, because it is convenient and there are more statistics, more detailed statistics, are comparisons between production of the domestic industry compared with imports.

Now, we don't believe when you are measuring a very tight time period like this that this is appropriate, and that a more appropriate set of figures would be figures on shipments or sales, and we have on table 7 shown figures for sales, for shipments of the textile industry.

They indicate an increase even over this period of decline in the economy generally as they liquidated inventories.

As a matter of fact, domestic shipments were much better than imports, which are also shipment figures, as shown by comparing tables 7 and 8. Imports actually declined overall in the first 8 months of 1967, by a factor of 4.8 percent.

Here again, if we could turn to table 8, we think that the table illustrates again the all-fiber nature of the industry and why it is not possible to make judgments based upon the performance of any particular fiber.

This analyzes imports for January through August of 1966 and 1967 on the basis of equivalent square yards, a measurement which we do not necessarily accept as being completely precise, but for purposes of comparison here, it is proper to use it, we believe.

Here we see that imports of cotton declined by 14.1 percent and of manmade fibers increased by 20.1 percent over this first 8 months of 1967, compared to the same period in 1966. But if you combine the two—and most of the imports of the manmade fibers are cotton system constructions—the imports actually declined by 3.7 percent. If you add in the decline in imports of wool products of 21.3 percent, you will see that total imports declined by 4.8 percent.

Furthermore, if you look at table 8, you will see that the increase in imports of manmade fibers occurred in the first months of the year very havily, and that in the later periods, they declined substantially with an actual decrease of 7.3 percent, comparing August with August. If we look at the last line on the table, we will see that since April, total imports of textile products have declined substantially—a decline of 11.2 percent in April, 11.7 percent in May, 5.5 in June, 17.4 in July, and 15.6 percent in August. And, really, the fact that the overall 8-month figure is at the moderate level of a decrease of 4.8 percent reflects the first 3 months of the year.

Now, it takes about 6 months, between order and delivery, of imported fabrics which varies, of course, from construction to construction, but that is a rough average, and we believe that the first 3 months reflect orders made during the boom periods of June through August of 1966.

Now, the domestic industry when it is speaking to the trade press or financial analysts and is not fighting its import battles also recognizes the truths of the things that we are saying here today.

Mr. Charles F. Myers, president of Burlington Industries, has put the entire matter into perspective. He said:

While current business in textiles is generally down from last year's record levels, improvement could come about before the end of this year. Prices are not likely to fall below present levels; more likely we are on a plateau from which an upturn can be anticipated. Just how long this may take is dependent upon too many factors to warrant speculation.

Softness has affected many other areas of the national economy, too. Sometimes we in textiles tend to over-react, to our own detriment, and lose sight of the longer term trend—which is steadily upward.

Turning to imports of wool products along, the simple fact is that imports have declined for 2 straight years. It is incredible to us, in the face of this record, that the domestic industry still maintains that it needs import protection.

The trade press in recent weeks has been crowded with reports of a genuine turnaround and recovery in the textile and apparel sectors, following the upturn in the economy as a whole, and we would like to submit these articles for the record. I have provided copies of these articles for the Senators present at the hearing.

Senator HARRIS. Without objection, those articles will be made a part of the record.

(The articles above referred to appear at p. 645.)

Mr. DANIELS. Just to read some of the headlines, "Index Shows Thumping 7-Point Rise." This is the textile world index of textile manufacturing activity.

The headline says, "Index Shows Thumping 7-Point Rise." It shows that the index of August 1967 was almost at about the same level as August of 1966.

Another article says, "Fiber and Textile Men Like Upswing of Things." This is an article of October 16, 1967.

An article of October 12, 1967, "Worsteds Are Booming, Mills Booked Well Ahead."

And just to read the first part of the article——

Senator BENNETT. Mr. Chairman, since we have 14 other witnesses and we have these before us, I hope the witness will assume that the members of the committee can read.

Mr. DANIELS. Certainly, Senator Bennett.

Senator BENNETT. I realize that you wait a long time to get a chance to have your say and it is tempting to stretch it out, but it will be midnight before the committee gets through if every witness takes the same amount of time.

Mr. DANIELS. These are in the record and I am sure the Senators will pay attention to them.

Senator BENNETT. That is right.

Mr. DANIELS. I would like to mention the comment of another commentator, Richard D. Karfunkle, of the textile fibers department of Du Pont, who is quoted in the Daily News Record of October 18, 2 days ago:

> In an economic environment that is expected to feature a new spurt in consumer spending, textile activity should rebound from its slump in 1966-67 and move ahead more strongly in 1968, at about a five percent rate. This rate is somewhat higher than the longer term trend rate of textile growth of four percent.

Granted an increasing population, favorable distribution of population by age group and income bracket, and a more efficient textile and apparel industry, prospects for the long-range performance of the textile and apparel industries are extremely bright. Textile World in April 1967, took a long look at the future and stated:

> Sales of the textile industry will reach the $32 billion mark by 1976 for a 57 percent gain.

This, in brief, is a sketch of our economic case. We believe that the facts which we have presented show conclusively that there is no need for import protection in the textile and apparel fields.

We will at considerable length and in more detail present our case to the Tariff Commission in support of this contention.

This is not simply a battle between importers and the domestic textile and apparel industries. This is a problem in which the entire

Nation has a stake. We hope that in the weeks and months to come the Congress will hear from others who share our view that enactment of the quota bills before this committee in textiles and apparel and other fields would not be in the best interests of the Nation.

Thank you.

Senator HARRIS. Thank you very much, Mr. Daniels.

Does either of your associates have anything to add?

Senator Bennett?

Senator BENNETT. No questions.

Senator HARRIS. Senator Carlson?

Senator Curtis?

Senator Dirksen?

Mr. Chairman, do you have any questions of this witness for the American Importers Association before I leave the chair?

The CHAIRMAN. No.

Senator HARRIS. All right.

If not, thank you very much, Mr. Daniels. We appreciate your testimony.

Mr. DANIELS. Thank you.

(The complete prepared statement of Mr. Daniels, the memorandum referred to, the tables referred to, and the articles referred to follow:)

SUMMARY OF STATEMENT ON IMPORT QUOTAS SUBMITTED ON BEHALF OF THE TEXTILE AND APPAREL GROUP, AMERICAN IMPORTERS ASSOCIATION, BY MICHAEL P. DANIELS, COUNSEL, OCTOBER 20, 1967

1. The Textile and Apparel Group opposes the imposition of quotas on imports of textiles and apparel products for the reason that economic facts neither justify nor compel protective quotas.

2. The Textile and Apparel Group will make a full presentation to the Tariff Commission in the Section 332 investigation requested by the President. As suggested by Secretary Trowbridge, the Congress should await the results of this investigation before taking action on textile or apparel quota proposals.

3. The performance of the domestic industry, by every general measure, has been one of spectacular growth, especially in the period 1961 through 1966. Imports have grown: but domestic production has grown substantially. There is no basis for any allegation of serious injury.

4. Domestic shipments of textile products in 1967 have actually increased in contrast to imports which have decreased.

5. Textile activity will pick up rapidly in the next several months with tangible signs of upturn already visible.

Conclusion: There is no need for import protection in the textile and apparel fields.

TESTIMONY OF THE TEXTILE AND APPAREL GROUP OF THE AMERICAN IMPORTERS ASSOCIATION ON IMPORT QUOTAS, BY MICHAEL P. DANIELS, COUNSEL, OCTOBER 20, 1967

My name is Michael P. Daniels. I am testifying as Counsel to the Textile and Apparel Group of the American Importers Association of New York, New York.

The Textile and Apparel Group of AIA opposes the imposition of quotas on imports of textile and apparel products. Its opposition is based both upon the serious consequences of quotas on this trade and upon the complete absence of economic facts to justify restrictions.

The group for which I appear today was originally known as the Wool Products Group. It was formed in 1963 to combat demand at that time for quota controls over wool product imports. It has since expanded its membership to include all segments of the textile and apparel import trade, without regard to fiber. This is in reaction to the broad-gauged attack on United States trade policy now being waged by all segments of the United States fiber, textile, and apparel industries.

Members of the United States Cabinet, two days ago, forcefully brought to the attention of this Committee the consequences of enactment of the Hollings bill, S. 1796, or other restrictive legislation. S. 1796, or generalized quota legislation, would affect trade valued at between $1 billion to $1½ billion. Under the Hollings bill, we estimate that the textile and apparel import trade would experience an absolute cutback of about one-third. Growth would be impeded absolutely.

Our fundamental contention is that the economic facts simply do not justify restrictions on textile and apparel imports. We believe that these facts and this judgment explain the refusal of foreign nations to negotiate an agreement covering all textiles and apparels, without regard to type of fiber.

The AIA Textile and Apparel Group has always been ready to set out its economic case in writing in the most complete detail and to stand or fall on the economic facts of the matter. In response to the Administration's 1966 announcement of a study of the trade in wool products, this group submitted to the Cabinet Committee on Textiles a three-volume study of relevant economic facts. This study included 225 statistical tables and 115 charts and graphs. There has never been a response by the domestic textile or apparel industries. They have refused to assume their burden of proof. They apparently shy away from the facts and abhor an objective inquiry into the true state of affairs.

For this reason we believe that President Johnson and Congressman Mills have taken the wisest course in ordering the Tariff Commission to investigate the economic situation of the domestic textile and apparel industries and to make an analysis of the present and perspective impact of imports upon them. As the President stated in making this request: "We must have all the facts possible to guide our future action in this important field."

For our part, we are now preparing our economic case for presentation before the Tariff Commission. We assume, of course, that the domestic textile and apparel industries will present the facts as they see them. We trust that the Congress will await the results of this investigation, as Secretary Trowbridge suggested and that it will not take precipitous action based only upon the allegations of the domestic industries. These, we believe, do not present an accurate or meaningful picture of the realities of the industries.

In the necessarily limited time accorded to us in these hearings, we can only sketch our economic case in broad outline. As I have indicated, a complete brief of our position will be submitted to the Tariff Commission in the Section 332 proceeding. We will, of course, make available to this Committee and its members copies of this brief, which will deal with the trade and domestic performance in the textile and apparel fields in considerable detail.

The performance of the domestic industries since 1961 has been truly spectacular. By every general measure, the industries have experienced substantial growth. We invite the attention of the Committee to the charts and tables attached to this statement. Figure 1 shows that the Index of Industrial Production for the Textile Mill Products Industry grew from a low of 94.3 in 1958 to 142.3 in 1966. Figure 2 shows that from a low of 95.3 in 1958, the Apparel Products Industry Index rose to 150.3 in 1966.

Measured by sales, as shown by Figure 3, the textile industry grew from $13.4 billion in 1961 to $19.5 billion in 1966, an increase of over 45%. Apparel industry sales increased from $12.4 billion to $18.1 billion, a growth factor of about 50%.

Net profit after taxes as shown on Figure 4 shows a similar pattern.

Figure 5 measures performance by United States domestic consumption. It shows a strong, rising pattern of domestic consumption for all fibers, from 5.8 billion pounds in 1958 to almost 9½ billion pounds in 1966. Figure 5 is particularly interesting in that it shows the marked rise in consumption of man-made fiber. This is also measured on the basis of mill consumption in Table III. Whereas consumption of wool showed a sluggish, almost even pattern and consumption of cotton showed a significant rise only in the years from 1963 to 1966, the increase in consumption of manmade fiber by United States textile mills has been substantial, doubling from 1.8 billion pounds in 1957 to almost 4 billion pounds in 1966. Combining the cellulosic and noncellulosic fibers as shown on the charts and tables obscures the really spectacular increase in consumption in the noncellulosic fibers which have substituted both for cotton and wool. Here, mill consumption grew from about 500 million pounds in 1957 to over 2 billion pounds in 1966, an increase of about four times.

In Figure 6, we have compared domestic consumption and mill consumption of cotton, wool and manmade fiber with the fiber equivalent of imports of manufactures and semi-manufactures of these three fibers. It is almost impossible to make a precise comparison between domestic consumption and imports on an overall basis, but the figure is instructive in showing the general relationship. Imports have grown during the period but the importance of Figure 6 is that it puts import growth into the perspective of the real growth in domestic performance.

There has certainly been no injury here, let alone serious injury. An examination of Figure 6 belies the claim of the domestic industry that it needs the extraordinary restrictions embodied in S. 1796 and similar measures.

The concept of these bills appears to us to be unsound and unnecessary. We believe they violate the fundamental economic principles which have governed our economy and which have created the abundance and prosperity of our society.

In the first half of 1966, with the economy and consumer demand both at very high levels, the textile and apparel industries operated at practically 100% of capacity. They experienced severe labor shortages, bottlenecks in production, and severe inflationary pressure. Increasing procurement by the military compounded these difficulties. The rise in imports in 1966 was attributable to an extremely tight supply situation, increasing prices, and strong demand by the domestic industries themselves for imported semi-manufactures. These demands could not by met by domestic production alone. With the slowdown in the economy generally in the last part of 1966, orders declined and inventories accumulated rapidly.

1967 has seen a working off of inventories, but with the economy and the textile and apparel industries resting on a high plateau. This is described in oud memorandum, dated August 28, on the performance of the textile and apparel industries in 1967. We offer it here for inclusion in the printed record.

Production in the textile industry has declined somewhat from the high levels of 1966, but shipments have in fact increased, as shown on Table VII. This reflects inventory adjustment, a phase which is nearly completed as the textile and apparel industries recover with the rest of the economy from the mid-1966–67 dip.

Table VIII indicates that the 1967 performance of imports was weaker than that of domestic shipments, with an overall decline of 4.8%. Table VIII is also instructive in view of the all-fiber nature of the textile industry, one point upon which both importers and the domestic industries agree. The domestic industry has emphasized the growth in imports of manmade fibers some 20% from January to August. It has not, however, mentioned the sharp drop in imports of cotton products; this is a decrease of 14.1% in an eight-month period and a decline in wool product imports of 21.3%. It has also not indicated clearly that the increase in imports in the manmade sector for 1967 is confined to the first few months of 1967, a time when there was still a carry-over in orders from the mid-1966 boom period. Thus, total textile and apparel imports in August 1967 were 15.6% lower than in the comparable period of 1966, and July imports were 17.4% lower in 1967 than July of 1966. As shown on Table VIII, total imports from April on have been considerably below 1966 levels.

Mr. Charles F. Myers, President of Burlington Industries, has put the entire matter into perspective:

"While current business in textiles is generally down from last year's record levels, improvement could come about before the end of this year. Prices are not likely to fall below present levels; more likely we are on a plateau from which an upturn can be anticipated. Just how long this may take is dependent upon too many factors to warrant speculation.

"Softness has affected many other areas of the national economy too. Sometimes we in textiles tend to over-react, to our own detriment, and lose sight of the longer term trend—which is steadily upward."

Turning to imports of wool products, the simple fact is that imports have declined for two straight years. It is incredible that, in the face of this record, the domestic industry still maintains that it needs import protection.

The trade press in recent weeks has been crowded with reports of a genuine turnaround and recovery in the textile and apparel sectors. We would like to submit for the record several of these newspaper articles.

Our opinion that the textile industry will experience a very quick pickup in activity in the months ahead is shared by an authoritative commentator, Mr.

Richard D. Karfunkle of the Textile Fibers department of Du Pont, who was quoted in the Daily News Record of October 18 as stating:

"In an economic environment that is expected to feature a new spurt in consumer spending, textile activity should rebound from its slump in 1966–67 and move ahead more strongly in 1968, at about a 5 per cent rate. This rate is somewhat higher than the longer term trend rate of textile growth of 4 per cent."

Granted an increasing population, favorable distribution of population by age group and income bracket, and a more efficient textile and apparel industry, prospects for the long-range performance of the textile and apparel industries are extremely bright. Textile World in April 1967 took a long look at the future and stated: "sales of the textile industry will reach the $32 billion mark by 1976 for a 57% gain."

This, in brief, is a sketch of our economic case. We believe that the facts which we have presented show conclusively that there is no need for import protection in the textile and apparel fields.

This is not simply a battle between importers and the domestic textile and apparel industries. This is a problem in which the entire nation has a stake. We hope that in the weeks and months to come the Congress will hear from others who share our view that enactment of the quota bills before this Committee in textiles and apparel and other fields would not be in the best interests of the nation.

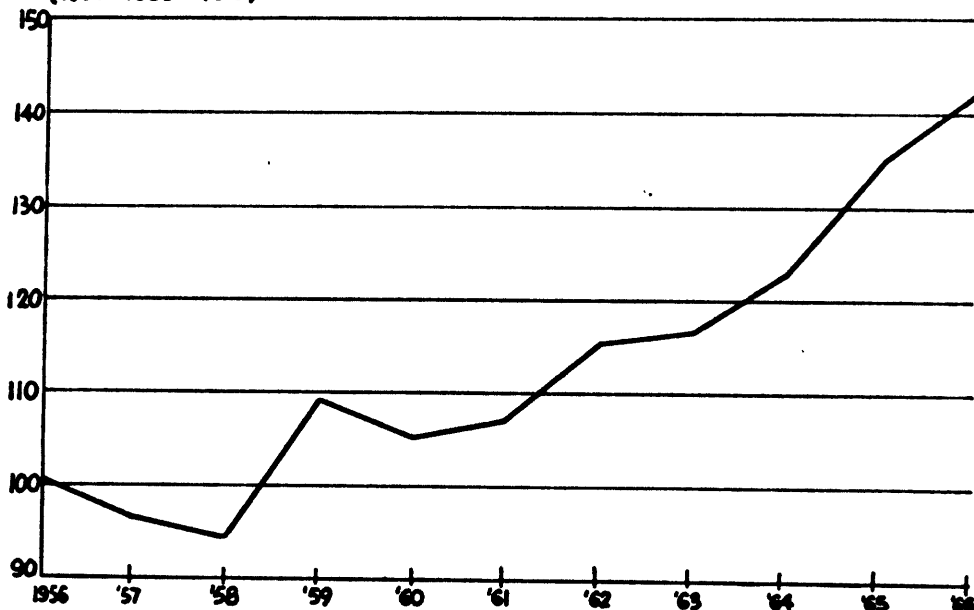


FIGURE 1

Index of Industrial Production, Apparel Products Industry 1956-1966, (1957-1959=100)

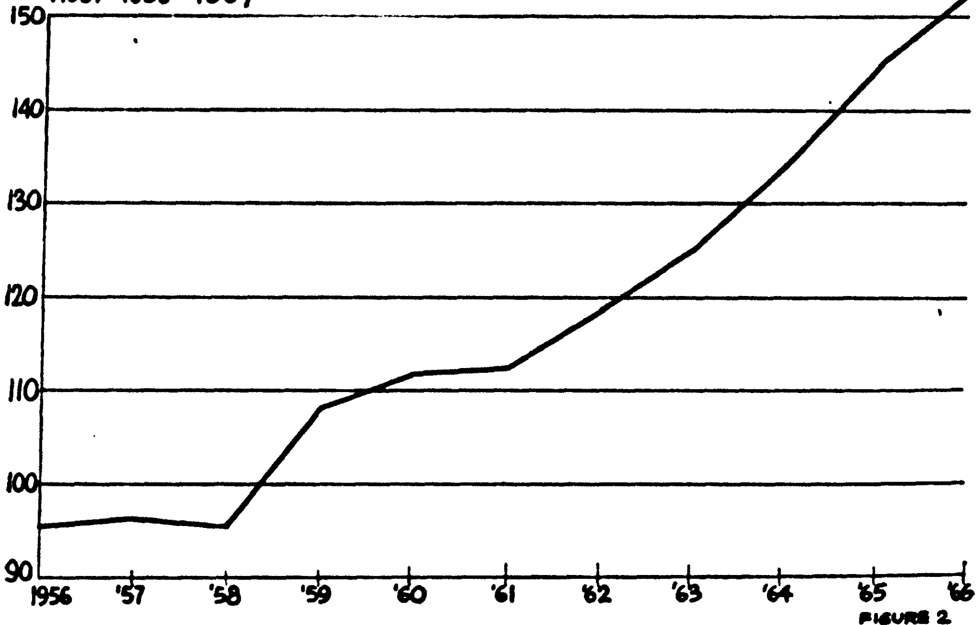


FIGURE 2

Sales: Textile Mill Products and Apparel Products Industries 1961-1966

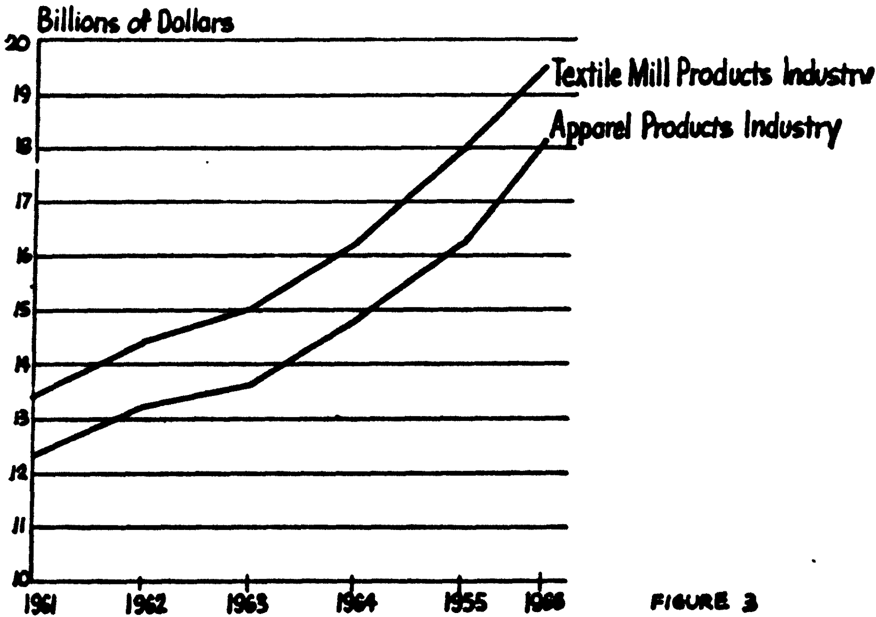
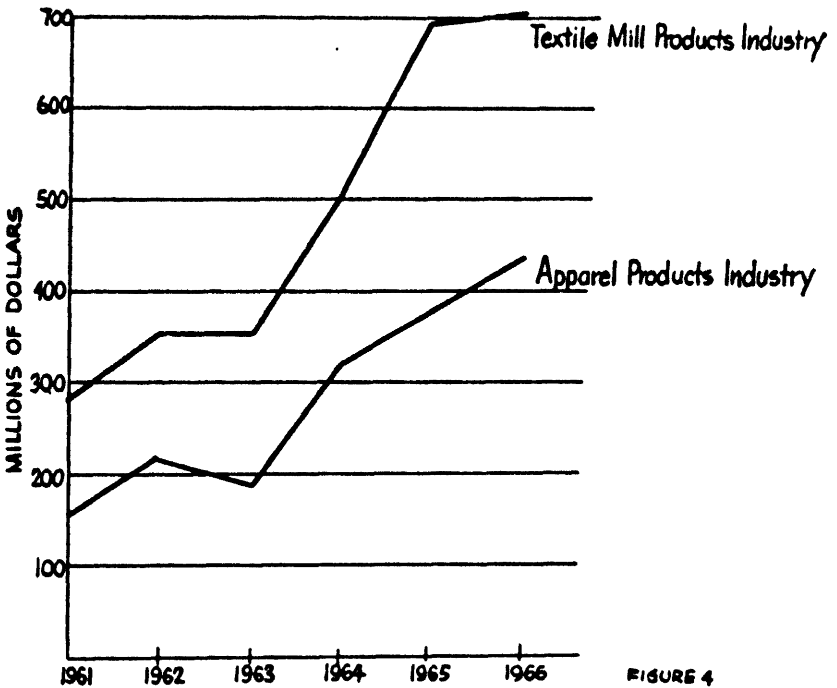
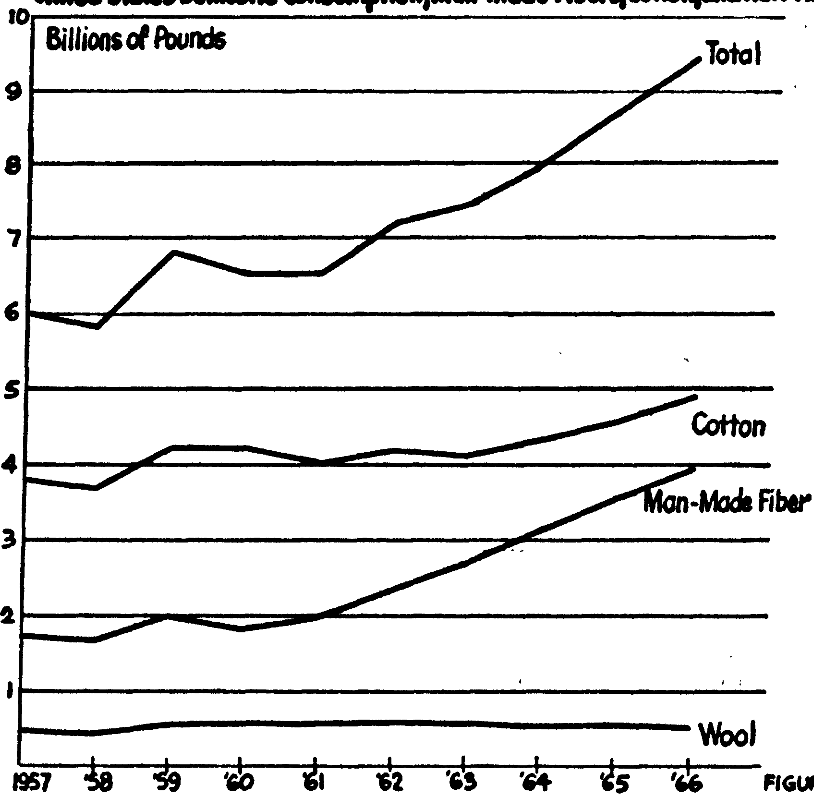


FIGURE 3


Net Profit After Taxes: Textile Mill Products and Apparel Products Industries, 1961-1966
MILLIONS OF DOLLARS
700
600
500
400
300
200
100
Textile Mill Products Industry
Apparel Products Industry
1961
1962
1963
1964
1965
1966
FIGURE 4


United States Domestic Consumption, Man-Made Fibers, Cotton, and Raw Wool, 1957-'66
Billions of Pounds
10
9
8
7
6
5
4
3
2
1
Total
Cotton
Man-Made Fiber
Wool
1957
'58
'59
'60
'61
'62
'63
'64
'65
'66
FIGURE 5

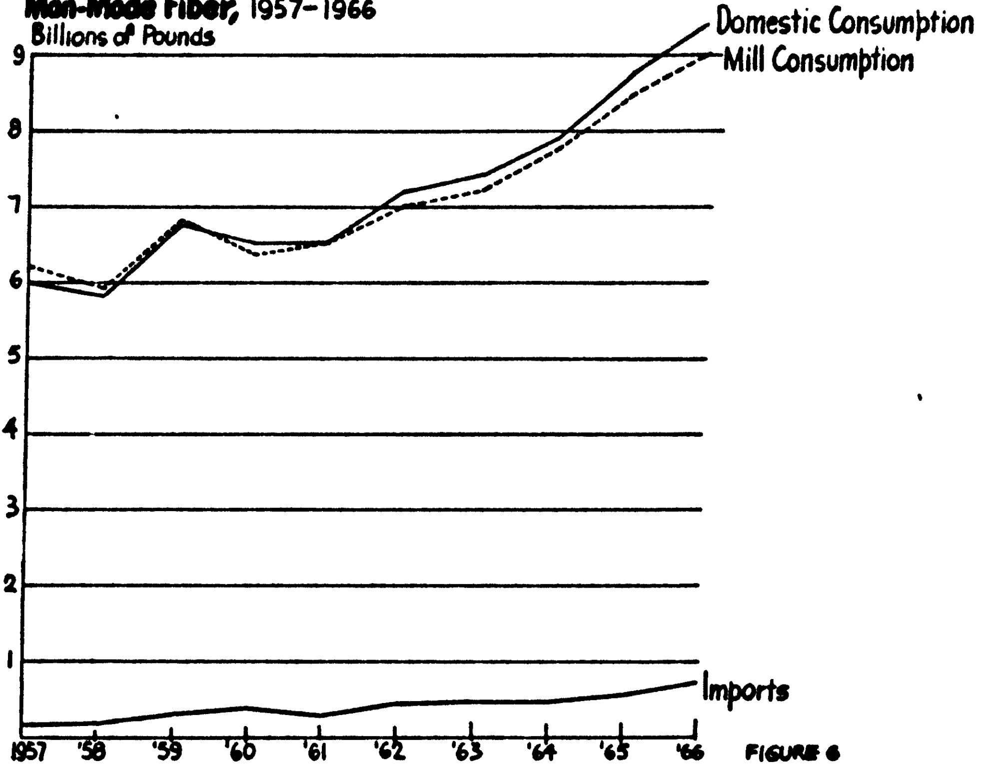


FIGURE 6

TABLE I.—INDEX OF INDUSTRIAL PRODUCTION, 1956-66

TEXTILE MILL PRODUCTS AND APPAREL PRODUCTS INDUSTRIES

[1957-59=100]

Year	Textile mill products	Apparel products
1956	100.4	95.6
1957	96.5	96.6
1958	94.3	95.3
1959	108.2	108.2
1960	105.0	111.9
1961	107.1	112.1
1962	115.3	118.9
1963	116.9	125.6
1964	122.9	134.1
1965	134.9	145.1
1966	142.3	150.3

Source: U.S. Department of Commerce.

TABLE II.—SALES AND NET PROFIT AFTER TAXES, TEXTILE MILL PRODUCTS AND APPAREL AND OTHER FINISHED PRODUCTS INDUSTRIES, 1961-66

SALES

[In millions of dollars]

	Textiles	Apparel
1961	13,398	12,365
1962	14,449	13,241
1963	15,092	13,696
1964	16,249	14,880
1965	18,028	16,263
1966	19,513	18,110
NET PROFIT AFTER TAXES		
1961	280	157
1962	354	217
1963	354	189
1964	507	318
1965	694	377
1966	702	432

Source: FTC-SEC.

TABLE III.—U.S. MILL CONSUMPTION OF MANMADE FIBER, COTTON, AND WOOL, 1957-66

[In millions of pounds]

Year	Manmade fiber	Cotton	Wool	Total
1957	1,792.5	4,060.4	368.8	6,221.7
1958	1,764.2	3,866.9	331.1	5,962.2
1959	2,064.7	4,334.5	435.3	6,834.5
1960	1,877.8	4,190.9	411.0	6,479.7
1961	2,060.7	4,081.5	412.1	6,554.3
1962	2,418.5	4,188.0	429.1	7,035.6
1963	2,787.8	4,040.2	411.7	7,239.7
1964	3,174.3	4,244.4	356.7	7,775.4
1965	3,624.4	4,477.5	387.0	8,488.9
1966	3,997.7	4,632.5	370.3	9,000.5

Source: Textile Organon.

TABLE IV.—DOMESTIC CONSUMPTION OF FIBER AND PRODUCTS, MANMADE FIBER, COTTON, AND WOOL[1]

[In millions of pounds]

Year	Manmade fiber	Cotton	Wool	Total
1957	1,704.3	3,878.0	449.4	6,031.7
1958	1,687.0	3,729.0	416.7	5,832.7
1959	2,001.6	4,271.0	557.3	6,829.9
1960	1,818.3	4,209.9	538.4	6,566.6
1961	1,997.8	4,031.2	535.0	6,564.0
1962	2,358.6	4,277.5	570.3	7,206.4
1963	2,726.9	4,136.7	558.6	7,422.2
1964	3,115.8	4,331.4	490.8	7,938.0
1965	3,567.4	4,664.3	527.5	8,759.2
1966	3,968.4	4,938.8	500.5	9,407.7

[1] Mill consumption plus imports less exports of semimanufactured and manufactured products.

Source: Textile Organon.

TABLE V.—IMPORTS OF SEMIMANUFACTURED AND MANUFACTURED PRODUCTS—MANMADE FIBER, COTTON AND WOOL, 1957-66

[In millions of pounds]

Year	Manmade fiber	Cotton	Wool	Total
1957	9.5	95.6	85.2	190.3
1958	13.2	112.2	90.2	215.6
1959	33.6	172.9	126.9	333.4
1960	31.3	252.3	132.1	415.7
1961	23.5	188.9	127.4	339.8
1962	30.6	309.8	145.6	486.0
1963	36.2	304.3	152.5	493.0
1964	50.0	300.2	141.1	491.3
1965	79.0	360.6	156.1	595.7
1966	117.6	495.9	142.9	756.4

Source: Textile Organon.

TABLE VI.—RATIO OF IMPORTS OF SEMIMANUFACTURED AND MANUFACTURED PRODUCTS TO DOMESTIC CONSUMPTION, MANMADE FIBER, COTTON AND WOOL [1]—1957-66

[In millions of pounds]

Year	Imports	Domestic consumption	Ratio
1957	190.3	6,031.7	0.032
1958	215.6	5,832.7	.037
1959	333.4	6,829.9	.049
1960	415.7	6,566.6	.063
1961	339.8	6,564.0	.052
1962	486.0	7,206.4	.067
1963	493.0	7,422.2	.066
1964	491.3	7,938.0	.062
1965	595.7	8,759.2	.068
1966	756.4	9,407.7	.080

[1] This table is to show relative trends only.

Source: "Textile Organon."

TABLE VII.—SHIPMENTS, TEXTILE INDUSTRY

[Dollar amounts in millions]

	January	February	March	April	May	June	July	Total, January-July
1966	$1,495	$1,672	$1,754	$1,685	$1,662	$1,835	$1,462	$11,565
1967	$1,587	$1,725	$1,752	$1,743	$1,766	$1,841	$1,539	$11,953
Increase (percent)	+6.2	+3.2	0	+3.4	+6.3	+.3	+5.3	+3.4

Source: Survey of Current Business.

TABLE VIII.—U.S. IMPORTS OF COTTON, MANMADE AND WOOL MANUFACTURES, JANUARY–AUGUST 1966 AND 1967

[In thousands of equivalent square yards]

	January	February	March	April	May	June	July	August	January–August
Cotton:									
1966	155,315	131,975	147,124	162,442	158,019	121,963	172,129	156,532	1,205,499
1967	160,331	116,395	146,617	118,295	131,414	108,671	128,787	125,283	1,035,793
Percent change	+3.2	−11.8	−0.4	−27.2	−16.8	−10.9	−25.2	−20.0	−14.1
Manmades:									
1966	67,549	43,442	53,610	62,988	66,284	72,723	71,010	91,232	528,838
1967	79,644	86,871	83,436	83,713	67,663	77,351	72,052	84,592	635,322
Percent change	+17.9	+100.0	+55.6	+32.9	+2.1	+6.4	+1.5	−7.3	+20.1
Cotton plus manmades:									
1966	222,864	175,417	200,734	225,430	224,303	194,686	243,139	247,764	1,734,337
1967	239,975	203,266	230,053	202,008	199,077	186,022	200,839	209,875	1,671,115
Percent change	+7.7	+15.9	+14.6	−10.4	−11.3	−4.5	−17.4	−15.3	−3.7
Wool:									
1966	13,722	12,042	14,399	14,902	15,287	16,545	17,632	18,983	123,512
1967	10,040	7,693	12,131	11,336	12,502	13,560	14,674	15,303	97,239
Percent change	−26.8	−36.1	−15.8	−23.9	−18.2	−18.1	−16.8	−19.4	−21.3
Grand total (cotton plus manmades plus wool):									
1966	236,586	187,459	215,133	240,332	239,590	211,231	260,771	266,747	1,857,849
1967	250,015	210,959	242,184	213,344	211,579	199,582	215,513	225,178	1,768,354
Percent change	+5.7	+12.5	+12.6	−11.2	−11.7	−5.5	−17.4	−15.6	−4.8

Source: Department of Commerce, TQ series.

TABLE IX.—INDEX OF INDUSTRIAL PRODUCTION, SEASONALLY ADJUSTED, FOR TEXTILE MILL PRODUCTS AND APPAREL PRODUCTS INDUSTRIES

[1957-59=100]

	Textile mill products (monthly)				Apparel products (monthly)			
	1964	1965	1966	1967	1964	1965	1966	1967
January	118.8	131.7	140.1	139.3	129.4	142.2	146.9	150.2
February	119.8	132.0	140.7	136.7	131.7	143.7	148.3	146.4
March	118.9	131.5	140.7	136.2	131.8	144.0	147.3	143.6
April	119.4	132.2	141.7	135.1	130.5	144.3	149.7	141.9
May	119.3	131.6	143.7	135.2	132.8	145.3	149.9	141.2
June	119.2	132.2	144.0	135.3	133.8	145.4	152.0	141.5
July	121.5	133.8	143.4	135.3	134.4	143.8	149.7	(1)
August	123.5	134.8	142.1	....	135.1	141.9	147.7	....
September	125.8	135.7	141.7	....	135.8	143.8	148.4	....
October	127.8	137.7	142.4	....	137.2	145.7	148.1	....
November	128.7	139.4	141.8	....	139.1	147.2	149.3	....
December	130.3	140.3	141.4	....	140.6	148.5	150.5	....

[1] Not available.

Source: U.S. Department of Commerce, Survey of Current Business.

TEXTILE AND APPAREL GROUP,
AMERICAN IMPORTERS ASSOCIATION, INC.,
New York, N.Y.

PRELIMINARY MEMORANDUM—PERFORMANCE OF THE UNITED STATES TEXTILE AND APPAREL INDUSTRIES IN 1967

This is a preliminary memorandum on the performance of the textile and apparel industries in 1967. It is termed "preliminary" because data for 1967 remains fragmentary. A more detailed memorandum will be written at such time as more complete data becomes available.

A complete and thorough analysis through August of 1966 is contained in a study prepared by the Wool Products Group entitled "A Study of United States Policy, Production and International Trade in Textiles and Apparel." This three volume study included 225 tables and 115 charts and graphs, together with an analytical text of 154 pages. Readers of this memorandum are referred to the August 1966 study for a more complete treatment and documented analysis.

PERFORMANCE OF THE DOMESTIC INDUSTRIES THROUGH 1966

Performance of the United States textile and apparel industries was one of spectacular growth from 1961 to 1966.

The best overall measurements of this progress are the indices of industrial production shown on accompanying Table I. For Textile Mill Products, the index grew from 107.1 in 1961 to 142.3 in 1966 with accelerated growth from 1964 on. The Apparel Products Industry index grew from 112.1 in 1961 to 150.3 in 1966.

All other overall measurements of the textile and apparel industries show the same pattern of growth. Table II indicates a 37.2% growth in mill consumption of fibers from 1961 to 1966, an increase of 2,445 million pounds of fiber consumed over the period. The rate of growth, measured by mill consumption, reached its height in 1965 with an increase of 9.1% over growth in 1964, with a 6.0% growth from 1965 to 1966.

Sales of the textile industry grew from $13.4 billion in 1961 to $19.5 billion in 1966, an increase of over 45%. Apparel industry sales grew from $12.4 billion in 1961 to $18.1 billion in 1966. (FTC–SEC)

Net profit after taxes for the textile industry grew from $280 million in 1961 to $702 million in 1966, more than doubling. Net profit after taxes for the apparel industry grew from $157 million in 1961 to $432 million in 1966, almost tripling. (FTC–SEC)

In the first half of 1966, with the economy and consumer demand at very high levels, both industries reached practically 100% capacity. The industries experienced severe labor shortages, bottlenecks in production, and inflationary

pressures. Increased procurement by the military compounded these difficulties. The strong rise in imports in 1966 was attributable to an extremely tight supply situation, increasing prices and strong demand by the domestic industries themselves for semi-manufacturers which could not be met by domestic production.

THE INDUSTRIES IN 1967

With the slowdown in the economy generally in the last part of 1966, orders declined and inventories accumulated rapidly. 1967 has seen a working off of inventories as the economy and the textiles and apparel industries rested on a high plateau.

The textile industry has emphasized figures relating to production (production of gray goods, for example, or consumption of fibers) in 1967. Production has declined, but the important point is that the industry has been liquidating very high inventories. If shipments are analyzed, the textile industry as a whole actually did better in the first five months of 1967 than in the same period in 1966 as shown by the following table:

SHIPMENTS, TEXTILE INDUSTRY

[Dollar amounts in millions]

	January	February	March	April	May	Total January to May
1966	$1,495	$1,672	$1,754	$1,685	$1,662	$8,268
1967	$1,587	$1,725	$1,752	$1,743	$1,758	$8,565
Increase (percent)	+6.2	+3.2	0	+3.4	+5.8	+3.6

Source: Survey of Current Business.

This is a record of stronger performance than that of imports (see Table IV). Comparisons of domestic industry shipments and imports are more relevant than comparisons between production or consumption of fibers by the domestic industry with imports, since imports represent shipment rather than production figures.

Some distortion may be introduced because shipments for the United States industry are measured above by dollar volume, and since the wholesale price movement from May 1966 to May 1967 for cotton, man-made fiber, and wool products has been down, the dollar figures above understate the gain in physical shipments for the period shown.

Inventory accumulation is undoubtedly related to a precipitous decline in demand in the last half of 1966. However, the inability of the textile industry to manage its inventory problem has always been a source of disruption of production and employment. Inventory management is certainly a fruitful area for improvement for the industry and there are some indications that the larger companies, with improved EDP programs, are tending to eliminate the precipitous ups and downs of mill activity which have plagued the industry in the past.

It is important to note, however, that production for the textile industry as a whole in 1967 represents a decline only in comparison with 1966. Compared with years earlier than 1966, the industry in 1967 is still operating at a very high level. Table I shows the index of industrial production by months. For textile mill products, the index in June 1967, although 10 points below the 1966 peak, is nonetheless above 1965 and about 15 points over 1964 performance. For the apparel products industry, the index for May 1967 is below both 1965 and 1966 but considerably above the 1964 index for May.

In addition to reflecting movements in the economy as a whole, the performance of the wool sector also reflects a well-established three year cycle in the production of wool products. The high was in 1965 with declines in 1966 and 1967. This cycle affects both imports and domestic production (see below).

The balance of 1967 should see a resumption of growth in both the textile and apparel industries. This depends primarily upon the performance of the economy generally. Although indicators are not yet conclusive, there are strong signs of such a recovery in the economy generally and in the textile and apparel industries particularly. This pattern should become clearer in the next several months.

The trade press in the last several weeks has been filled with stories indicating that a very fast turnabout is taking place. Recovery seems particularly well established in polyester/cotton blend fabrics, with heavier demand at higher prices now evident. The Daily News Record for August 10 reported that "a definite upturn is taking place in the textile industry. That is the concensus among mill and fiber company executives. With few exceptions, they believe the mood of caution in the market has been replaced by more optimism."

The Textile World (McGraw-Hill) for August 1967 in a story headlined "Textiles rebound in sluggish economy," stated "The textile industry has partially accomplished the expected mid-year turnaround. The recent inventory glut which has plagued mills for several months is easing * * *. This trend to recovery has apparently continued into June; both employment and hours worked rose, indicating that manufacturers raised production quotas to meet rising demand and ebbing supply. Textile World's exclusive Index of Textile-Manufacturing Activity broke out of the 148–149 bracket of the past three months, surging to a high for the year of 152 in June."

A recent statement by Mr. Charles F. Myers, president of Burlington Industries has put the entire matter into perspective:

"While current business in textiles is generally down from last year's record levels, improvement could come about before the end of this year. Prices are not likely to fall below present levels; more likely we are on a plateau from which an upturn can be anticipated. Just how long this may take is dependent upon too many factors to warrant speculation.

"Softness has affected many other areas of the national economy too. Sometimes we in textiles tend to over-react, to our own detriment, and lose sight of the longer term trend—which is steadily upward."

EMPLOYMENT

Employment of production workers in the textile industry grew by about 50,000 workers from 1964 to 1966 (from 798,000 to 848,000). There was an increase of 25,000 workers from 1965 to 1966.

Compared with 1966, there has been a decline in production workers in 1967. Measuring from June to June, there was a loss of 23,000 workers from 1966 to 1967. However, measuring from June 1965 to June 1967, there has been a net gain of 18,000 workers. From May to June of 1967, there was also a gain of 18,000 workers on a seasonally-adjusted basis; as noted by Textile World above, a strong indication of recovery in the industry.

IMPORTS THROUGH 1966

Table III shows the fiber equivalent of United States imports for consumption of textile manufactures and semi-manufactures. Measured by percentage, the increase from 1961 to 1966 from 125.3%. However, it is these percentage figures, so often emphasized by the domestic industry, which tend to distort the competitive relationship between imports and domestic production. Thus, while mill consumption in the period 1961 to 1966 grew by 2,445 million pounds, imports grew by only 425.8 million pounds. Imports started from a relatively low base, making the percentage increases appear large. This is put in perspective by the ratio of imports to domestic consumption shown on Table III. This ratio for the years 1962, 1963, 1964 and 1965 showed a great deal of stability, fluctuating between 6.2 and 6.8%. The ratio increased to 8.1% in 1966, but this was a year when mill consumption was growing by 6% and the industry was producing at capacity with a real strain on productive resources. The ratio of imports to domestic consumption shows a similar pattern.

(It should be noted that these ratios are used only to measure relative movements in imports and domestic performance since the two sets of figures are not completely comparable.)

IMPORTS IN 1967

Imports in 1967 have responded to the same demand conditions which have slowed down domestic industry performance in 1967. Table IV shows imports by month for the first six months of 1967 compared to 1966. Overall, for the first six months, there has been practically no change in total imports (a decrease of 0.1%). However, closer analysis is necessary. On an overall basis, imports declined by 11.2% in April compared to a year earlier, 11.7% in May and 5.5% in June. It was the increase in imports in the first three months of the year

which makes the six months figure a stable rather than a declining figure. In this connection, it is important to note that imports for the first three months of 1967 were ordered in June, July and August of 1966, before the precipitous drop in demand.

The domestic industry has made a big point of the increase in imports of man-made fiber products in the first six months of 1967 compared with 1966. Our figures also bear closer analysis. Here also the large increases took place in the first four months of the year, with figures for May and June showing very small increases, 2.1% and 6.4%, respectively.

Furthermore, the increase in man-made fiber product imports must be seen in the perspective of a steep decline in imports of cotton and wool manufactures. For the first six months of 1967 imports of cotton declined by 10.8% and wool imports by 22.7%. Combining cotton and man-made product imports for the first six months, there was an increase of only 1.5%. If cotton, man-made and wool manufacturers are combined, reaching an all-fiber figure, imports were at almost exactly the same level for the two periods.

This demonstrates a persistent distortion by the domestic industry. On the one hand, they argue that the industry is an all-fiber industry, since there is competition among all fibers and certainly a demonstrable competition between man-made fiber products and cotton products and between man-made products and wool products. There can be no disagreement that this is the case, and importers have also insisted that the textile industry is an all-fiber industry. If this is so, isolating a particular sector by fiber simply makes no sense. Furthermore, even if man-made fiber products are isolated, it is this area, over the past and certainly in the future, where the greatest growth in domestic production has and will take place.

Another distortion is involved when imports for the first six months of 1967 are compared with available statistics on United States production (for instance, of gray goods) or consumption of fibers. Import figures are shipment figures, not production figures. Actually, with inventories being worked off, shipments by the domestic industry for the first six months of 1967 were higher than the same period of 1966 (see above, page 2). There is, according to our information, about a six-month lag between order and delivery for imported products.

Because of the particular interest of the Wool Products Group, Table V shows wool product imports in greater detail. An examination of this table reveals that imports are declining for the second straight year. Total imports declined 2.8% from 1965 to 1966, and for the period January through May 1967, there was a decline of 23.8% compared with the same period in 1966. (For the first six months of 1967, imports of wool products declined by 22.7% from the same period in 1966 (see Table IV).) As Table V reveals, there have been particularly significant declines in the so-called "sensitive areas." Woolen and worsted fabrics declined by 11.8% from 1965 to 1966, and for the first five months of 1967 declined by 17.4%, as compared with the same period in 1966. Knit outerwear imports, valued under $5 per pound, declined by 19.2% from 1965 to 1966, and in the first six months of 1967 were half the volume in 1966.

IMPORTS FOR THE REMAINDER OF 1967

It is believe that imports will further decline throughout 1967 based upon market information on forward orders.

LONG-RANGE PERFORMANCE OF THE DOMESTIC INDUSTRY

With an increasing population, favorable distribution of population by age group and income bracket, and with a more efficient textile industry, the long-range outlook for textile production in the United States is very bright.

Textile World in April 1967 taking a long look at the future stated: "Despite the recent slack selling period in the textile industry, a period that now appears to be nearing its end, the outlook continues bright." A memorandum from the publication's chief economist concluded that: "sales of the textile industry will reach the $32 billion mark by 1976 for a 57% gain." This article from the Textile World is reproduced in full and attached because of its interest and implications.

CONCLUSION

The data set forth above and attached, although fragmentary and incomplete, demonstrate that the decline of domestic production in 1967 is due primarily to

general economic movements in the United States rather than to import competition. Growth was arrested in domestic production during the first half of 1967 but at a high plateau, significantly above performance for all years previous to 1966. Shipments in 1967 are above 1966 levels as inventories are liquidated. As the economy turns upward, it can be expected that textile and apparel industry performance will also improve considerably. Although not yet conclusive, there are indications that the upturn has already commenced. Imports have had little or nothing to do with the difficulties of the textile industry in 1967. They both have responded to the same demand conditions.

Textile policy should certainly be based on the long-range outlook for the industry, which is extremely favorable, rather than on short-run phenomenon.

Of Counsel,

MICHAEL P. DANIELS,
Stitt, Hemmendinger & Daniels.

Attachments.

TABLE I.—INDUSTRIAL PRODUCTION OF TEXTILE MILL PRODUCTS AND APPAREL PRODUCTS

[1957-59=100]

	Textile mill products (monthly)				Apparel products (monthly)			
	1964	1965	1966	1967	1964	1965	1966	1967
January	118.8	131.7	140.1	139.3	129.4	142.2	146.9	150.2
February	119.8	132.0	140.7	136.7	131.7	143.7	148.3	146.4
March	118.9	131.5	140.7	136.2	131.8	144.0	147.3	143.6
April	119.4	132.2	141.7	135.1	130.5	144.3	149.7	141.9
May	119.3	131.6	143.7	134.6	132.8	145.3	149.9	141.8
June	119.2	132.2	144.0	134.5	133.8	145.4	152.0	(1)
July	121.5	133.8	143.4	(1)	134.4	143.8	149.7	(1)
August	123.5	134.8	142.1		135.1	141.9	147.7	
September	125.8	135.7	141.7		135.8	143.8	148.4	
October	127.8	137.7	142.4		137.2	145.7	148.1	
November	128.7	139.4	141.8		139.1	147.2	149.3	
December	130.3	140.3	141.4		140.6	148.5	150.5	

Annual	Textile mill products	Apparel products
1961	107.1	112.1
1962	115.3	118.9
1963	116.9	125.6
1964	122.9	134.1
1965	134.9	145.1
1966	142.3	150.3

[1] Not available.

Source: U.S. Department of Commerce, Survey of Current Business.

TABLE II.—U.S. DOMESTIC CONSUMPTION AND MILL CONSUMPTION OF FIBERS, 1961-66

[In millions of pounds]

	Domestic consumption	Change from previous year		Mill consumption	Change from previous year	
		Quantity	Percent		Quantity	Percent
1961	6,581.4			6,567.0		
1962	7,206.5	+625.1	+9.5	7,048.0	+481.0	+7.3
1963	7,422.4	+215.9	+3.0	7,252.8	+204.8	+2.9
1964	7,938.0	+515.6	+6.9	7,789.6	+536.8	+7.4
1965	8,759.1	+821.1	+10.3	8,502.2	+712.6	+9.1
1966	9,405.2	+646.1	+7.4	9,012.0	+508.8	+6.0
Change from 1961-66		+2,823.8	+42.9		+2,445.0	+37.2

Source: U.S. Department of Agriculture.

TABLE III.—FIBER EQUIVALENT OF U.S. IMPORTS FOR CONSUMPTION OF TEXTILE MANUFACTURES AND SEMI-MANUFACTURES AND RATIO OF IMPORTS TO DOMESTIC CONSUMPTION AND MILL CONSUMPTION—1961-66

[In millions of pounds]

	Imports	Change from previous year		Ratio imports/domestic consumption	Ratio imports/mill consumption
		Quantity	Percent		
1961	339.9			0.052	0.052
1962	486.0	+146.1	+43.0	.067	.069
1963	493.0	+7.0	+1.4	.066	.068
1964	491.3	−1.7	−0.4	.062	.063
1965	595.7	+104.4	+21.2	.068	.070
1966	765.7	+170.0	+28.5	.081	.085
Change from 1961-66		+425.8	+125.3		

Source: U.S. Department of Agriculture.

TABLE IV.—U.S. IMPORTS OF COTTON, MANMADE AND WOOL MANUFACTURES, JANUARY-JUNE 1966 AND 1967

[In thousands of equivalent square yards]

	January	February	March	April	May	June	January to June
Cotton:							
1966	155,315	131,975	147,124	162,442	158,019	121,963	876,839
1967	160,331	116,395	146,617	118,295	131,414	108,671	781,797
Percent change	+3.2	−11.8	−0.4	−27.2	−16.8	−10.9	−10.8
Man mades:							
1966	67,549	43,442	53,610	62,988	66,284	72,723	365,382
1967	79,644	86,871	83,436	83,713	67,663	77,351	478,679
Percent change	+17.9	+100.0	+55.6	+32.9	+2.1	+6.4	+31.0
Cotton plus man mades:							
1966	222,864	175,417	200,734	225,430	224,303	194,686	1,242,221
1967	239,975	203,266	230,053	202,008	199,077	186,022	1,260,476
Percent change	+7.7	+15.9	+14.6	−10.4	−11.3	−4.5	+1.5
Wool:							
1966	13,722	12,042	14,399	14,902	15,287	16,545	86,868
1967	10,040	7,693	12,131	11,336	12,502	13,560	67,144
Percent change	−26.8	−36.1	−15.8	−23.9	−18.2	−18.1	−22.7
Grand total (cotton plus man mades plus wool):							
1966	236,586	187,459	215,133	240,332	239,590	211,231	1,329,089
1967	250,015	210,959	242,184	213,344	211,579	199,582	1,327,620
Percent change	+5.7	+12.5	+12.6	−11.2	−11.7	−5.5	−.1

Source: Department of Commerce, TQ series.

TABLE V.—WOOL PRODUCTS IMPORTS OF WOOL MANUFACTURES, 1965, 1966 AND JANUARY-MAY 1966 AND 1967

[In thousands of equivalent square yards]

	Unit	Calendar year 1965	Calendar year 1966	Percent change 1965 to 1966	A January–May 1966	B January–May 1967	Percent change A to B
Wool tops and wool advanced	Pound	8,529,505	10,755,745	+26.1	4,853,553	2,478,637	−48.9
Wool yarns WH or CV angora rabbit.	do	334,984	388,460	+16.0	167,424	70,106	−58.1
Yarns of wool and other hair	do	10,462,589	12,297,534	+17.5	5,779,085	3,858,330	−32.2
Woolen and worsted fabrics	Square yard.	63,088,738	55,937,913	−11.3	29,323,613	24,229,856	−17.4
Billiard cloths	do	21,911	20,166	−8.0	8,503	13,866	+63.1
Wool blankets	Pound	431,309	349,699	−18.9	108,011	101,716	−5.8
Carriage and auto robes, etc., wool.	do	134,059	78,251	−41.6	18,746	8,432	−55.0
Wool tapestries and upholstery goods.	Square yard.	500,813	496,167	−0.9	184,666	212,493	+15.1
Pile fabrics wool	do	36,597	53,245	+45.5	37,907	11,604	−69.4
Wool knit fabric, in the piece	Pound	1,335,988	1,212,529	−9.3	575,990	338,063	−41.7
Hose and half hose, wool	Dozen pair.	403,543	366,365	−9.2	106,089	70,577	−33.5
Gloves and mittens, wool	do	216,091	199,764	−7.6	28,877	28,169	−2.5

TABLE V.—WOOL PRODUCTS IMPORTS OF WOOL MANUFACTURES, 1965, 1966 AND JANUARY–MAY 1966 and 1967—Continued

[In thousands of equivalent square yards]

	Unit	Calendar year 1965	Calendar year 1966	Percent change 1965 to 1966	A January–May 1966	B January–May 1967	Percent change A to B
Wool knit underwear	Pounds	45,323	39,137	−13.7	6,856	6,405	−6.6
Infants outerwear, wool	do	84,980	81,054	−4.6	13,157	11,609	−11.8
Knit hats and similar items, wool.	do	372,086	395,295	+6.2	105,042	51,387	−51.1
Knit outerwear and other articles, under $5 a pound.	do	12,509,814	10,113,971	−19.2	2,938,185	1,470,190	−50.0
Knit outerwear and other articles, wool over $5 a pound.	do	13,736,403	14,365,912	+4.6	3,541,275	4,120,234	+16.3
Hats, caps, etc., wool, not blocked, trimmed.	do	2,619	148	−94.4	....	497	....
Hats, caps, etc., wool, blocked, trimmed, finished.	do	12,241	16,982	+38.7	3,169	3,853	+21.6
Men's and boys' suits, wool	Number	171,715	216,444	+26.0	90,054	92,319	+2.5
Men's and boys' outercoats, wool.	do	256,466	283,180	+10.4	56,244	60,328	+7.3
Women's, misses', and children's wool coats and suits.	do	553,271	624,207	+12.8	97,715	103,970	+6.4
Women's, misses', and children's separate skirts, wool.	do	111,477	322,583	+189.4	16,260	17,771	+9.3
Slacks and trousers, wool	do	2,869,065	1,506,031	−47.5	366,772	365,622	−0.3
Articles of wearing apparel, wool NES.	Pound	2,396,202	2,338,488	−2.4	167,058	171,776	+2.8
Lace and lace articles, including veiling, etc.	do	343,949	313,580	−8.8	137,016	129,201	−5.7
Miscellaneous wool manufactures.	do	3,779,794	3,420,058	−9.5	1,478,042	1,113,973	−24.6
Equivalent square yards grand total.	....	180,296,094	175,257,885	−2.8	70,323,223	53,583,161	−23.8

Source: Department of Commerce, TQ series.

[From the Textile World, April 1967]

TEXTILES IS A GROWTH INDUSTRY

Despite the recent slack selling period in the textile industry, a period that now appears to be nearing its end, the outlook continues bright. Bright enough to cheer even the most pessimistic industry man, burdened though he may be by increasing imports. Because we feel that he needs some cheery news, some indications that the road ahead is not a downhill trip, we are printing this inter-office memorandum from our chief economist, Doug Greenwald, to TEXTILE WORLD's publisher, Don White:

"MARCH 10, 1967.

"Inter-Office Memorandum—McGraw-Hill, Inc.

"To: Donald H. White.
"From: Douglas Greenwald.
"Subject: Prospects for the textile industry in the decade ahead.

"DEAR DON: Before I spell out the prospects for the textile industry over the next decade, let's take a brief look at the record of the industry over the past decade. Sales of textile manufacturers rose from $13.1 billion in 1956 to $20.4 billion in 1966, an increase of about 56%. During the same 10 years, production of textile mill products increased about 38%, as measured by Textile World's index of mill activity, and by 42%, as measured by The Federal Reserve Board's index of textile production. Thus, output of the industry has grown at an annual rate of about 3.5% per year for the full 10-year period but has nearly doubled that growth rate in the last three years. And capital investment by the textile industry has soared in the last decade from about $450 million in 1956 to well over $1 billion in 1966.

"We feel that future prospects for the textile industry are very bright. We expect that the record of the industry over the next 10 years will surpass that of the past decade. This expectation is based on five major factors:

"1. A higher rate of industrial and general economic growth over the next 10 years than the past 10.

"2. A whopping increase in the key textile-consuming age group—20-39 years.

"3. Increasing incomes of families and individuals.

"4. A step-up of research and development expenditures.

"5. A continuation of the upward trend in spending for new plants and equipment.

"First, growth of the economy will be on the order of 4% to 4.5% per year, with the industrial part of the economy growing between 4.5% and 5% per year. Thus, industrial demand for textiles will continue to grow.

"Second, the 20-39 year age group increased by only 1.5 million or 3% in the past decade. In the coming decade this key age group for the textile industry is expected to grow by 16 million or about 33%. Thus, consumption of textiles by families and individuals will soom.

"Third, family incomes will rise even faster in the 10 years ahead than they did in the past 10. Although we are currently talking about raising personal income taxes because of the Vietnam War, we will soon be shifting the emphasis from hiking taxes to cutting them and we may see tax cuts in 1968 and 1970, both election years. Rising incomes will result in an upgrading of consumer purchases of textiles.

"Fourth, although we have seen some rise in research and development expenditures by the textile industry in recent years, it still does not represent a very significant share of the sales dollar. We expect that there will be a step-up in R and D by the industry as companies more and more recognize that this is one way of leading the growth parade, through new products and new methods of producing both old and new products.

"And finally, we expect that just as the textile industry more than doubled its capital investment in new plants and equipment over the past decade, it will again double its investment over the next decade as demand for modernization of equipment and for new capacity grows.

"Based on the above reasons, I now believe that sales of the textile industry will reach the $32 billion mark by 1976 for a 57% gain.

"Physical production will increase about 45% or about 4% per year—a higher rate than was attained in the past decade. In terms of Textile World's mill activity index, it will hit the 220 mark in 1976 compared with 152 in 1966.

"Capital investment will top $2.25 billion compared with $1.13 billion in 1966. With a steady flow of funds available to finance bigger and bigger investment programs in new plants and equipment—the 7% tax credit and more rapid depreciation are being reinstated—the textile industry will expand its capacity about 4% per year in the decade ahead and also continue to bring existing facilities up to date in terms of tomorrow's technological standards."

[From the Textile World, October 1967]

LATE REPORT—BUSINESS INDICATORS

Index Shows Thumping Seven-Point Rise

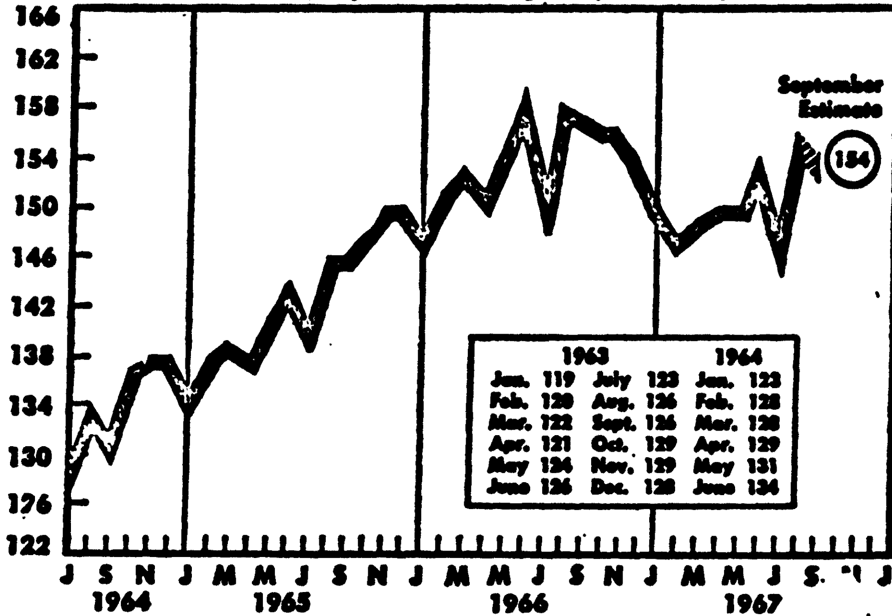
Textile World's exclusive Index of Textile Manufacturing Activity jumped seven points to 156 in August, rebounding from the customary June-July slump caused by vacations and plant shutdowns.

(The level of the Index from March 1965 through August 1967 has been revised upward. Reason: The Bureau of Labor Statistics has changed its production workers and their hours worked to a March 1966 benchmark from a March 1965 benchmark. For the first eight months this year, especially, the Index has been revised upward one to two points from the old Index, based on the old March 1965 benchmark.)

At 156, the Index has gained six points since January. But, when you compare it with the 10-point advance in the same period last year and the 11-point advance in 1965, it is clear that the problems plaguing mill managers this year have been strong.

Index of Textile-Manufacturing Activity

(Man-hours worked, adjusted for changes in productivity 1954=100)



Source: McGraw-Hill Department of Economics

TEXTILE INDUSTRY INDICATORS	Latest month	Previous month†	Year ago
TEXTILE WORLD'S exclusive Index (chart above)	156	149	158
Employment (thousands)[1]	956.9	934.8	977.1
Production Workers (thousands)[1]	848.4	827.7	871.7
Weekly Earnings (dollars)[1]	83.64	81.41	83.36
Hourly Earnings (dollars)[1]	2.04	2.02	1.98
Weekly Hours Worked[1]	41.0	40.3	42.1
Production Index (1957-1959=100)[2]	135.3*	135.3	143.4
Wholesale Price Index (1957-1959=100)[1]	101.7	101.5	102.4
Wholesale Price Index (1947-1949=100)[7]	96.2	96.0	96.9
Manufacturers' Sales (billion $)[3]	1.81*	1.75	1.72
Manufacturers' Inventories (billion $)[3]	3.37*	3.38	3.30
Inventories-to-Sales Ratio	1.86*	1.93	[illegible]
Stock Price Index (1941-1943=100)[4]	76.83	71.93	76.73
Failures[5]	3	3	8
Operating Rate[7]	85.5	86.0	96.5
Textile Shipments (billion $)‡	21.7*	21.0	20.6

NATIONAL ECONOMIC INDICATORS	Latest month	Previous month†	Year ago
Industrial Production (1957-1959=100)[2]	158.0	156.7	158.0
Consumer Price Index (1957-1959=100)[1]	116.5*	116.0	113.3
Wholesale Price Index (1957-1959=100)[1]	106.1	106.5	106.8
Civilian Population (millions)[6]	195.9	195.6	193.8
Unemployment (millions)[6]	2.9	3.2	2.8
Employment (millions)[6]	76.2	76.2	74.7
Seasonally Adjusted Unemployment Rate (percent)[6]	3.8	3.9	3.8
Personal Income (billion $)[3]‡	631.2	626.7	589.1

*July. Otherwise latest month is August. †Revised. ‡Annual rate.

1. Bureau of Labor Statistics; 2. Federal Reserve Board; 3. Department of Commerce; 4. Standard & Poor's; 5. Dun & Bradstreet; 6. Bureau of Census; 7. McGraw-Hill Department of Economics.

It has been apparent since mid-year, however, that major economic gages for textiles point to a brightening outlook. A seven-point drop in the inventory-to-sales ratio for July and a healthy advance in shipments to an annual rate of $21.7-billion give first clues to the pickup in textile activity. August estimates give further evidence. Prices for major textile fibers, depressed for many months, have firmed up as much as 10% in recent weeks. And the government's wholesale price index for textiles rose in August for the first time this year.

These price increases indicate that the industry is currently and will continue to be in a favorable position to absorb the 6% increase in wages and the rising costs of some raw materials.

LATE REPORT—NEWS & COMMENT

"Too much too soon." President Johnson's arguments for a 10% surtax on corporate and personal income evoke that terse rebuttal from McGraw-Hill Vice President-Economics, Dr. Gordon W. McKinley. Business activity will be excellent into next year, agrees McKinley, but he questions government economists who look for demand to outstrip production. "At the end of this year there will be no strain on our manufacturing capacity and no economic reason for a tax designed to curb demand for manufactured products. Furthermore it is difficult to conjure up a threat of materials shortages, and quite obviously the economy will not be short of inventories on hand." . . . *The nations' trade policies* are heading it "pell mell toward economic chaos," began F. Sadler Love, secretary-treasurer of the American Textile Manufacturers Institute, in a recent speech. He then declared: "Never send to ask for whom the bell tolls, because when imports come in it tolls for every employee and every company in this industry."

Textiles will mingle with tobacco in the latest corporate diversification maneuver. The nation's second largest cigarette company, American Tobacco, has concluded initial plans to buy up shares of Kayser-Roth. In the proposed transaction, American would purchase for $34 cash about 37% of Kayser's shares held by Harrison Factors Corp., and the remaining shares on a cash-convertible debenture basis. Directors of both companies have approved the plan, pending stockholder action, an examination of the companies' affairs, and further proceedings . . . *Stocks of American upland cotton* are sinking dangerously low—and unless there's a good year ahead, expect competing fibers to take over, warns R. Dave Hall, chairman of the Cotton Committee of ATMI.

Labor troubles in related industries have befuddled textile producers, too. As with the rubber strikes, some textiles have taken a beating. Those strikes cost tire fabric producers one-third of production, and tire cord fabric and rayon tire cord lost 40%. Vinyl-coated fabric makers, eyeing a healthy first quarter outlook next year because of greater automobile consumption, have had optimism dulled by the Ford Motor strike. Reportedly, they're dug in for a long walkout and large pileups of stock. . . . *The National Labor Relations Board* has ruled that J. P. Stevens unlawfully fired 18 employees for engaging in union activity. This is the latest in a 4-yr.-long effort by the AFL–CIO Textile Workers of America to organize Stevens employees. The company is appealing this and earlier rulings that order rehiring of 99 workers fired for union activity.

Textile industry leaders expect this year's profits to move up 3.3% on increased sales of 6.1%, according to a recent Dunn & Bradstreet survey. However, average expectations for all manufacturing were an 8.5% sales advance and 7.7% profits increase from last year. Only rubber and lumber industry leaders had a less optimistic view of profits than textilemakers. . . . *Textile imports declined* in the year ending with July, but the textile trade deficit still shot upward. According to Commerce Department figures, the year's import totaled 1,344-million square yards, 40-million below the previous year—and the first decline in years. But trade deficit statistics were less encouraging: Present deficit $219-million, up $29-million from last year.

Canada's market for woven wool goods eased downward again last year. Canadian Textiles Institute reports production dropped to 58,323,000 square yards from 60,782,000 in 1965. Domestic shipments accounted for 1.6% more at 66% of the total, while imports were down 1.8-million yards. Spokesmen for the country's carpet industry, meanwhile, see continued growth but at a slower pace. That might not be surprising, in view of the industry's phenomenal growth: In ten years, Canada's carpet industry boomed from 49 to 90% of the home market, and sales tripled to $92-million in six years.

LATE REPORT—OVERSEAS BRIEFS

Tokyo.—Chafing over proposals in the U.S. Congress to restrict imports of manmade fibers, Japan's usually reticent trade associations wasted no time in making their voices heard. Textile World's Toshio Yoshimura reports that they're determined to carry a stiff fight right to the United States. Already the fibermakers have wheeled into action on varied fronts. Their strategy: an extensive public relations campaign in both the United States and Japan aimed at the public, active Washington lobbying, and concerted efforts that brought the matter up at meetings of the U.S.-Japan Trade & Economic Affairs Committee last month in Washington (see Washington Outlook, next page, for latest news on imports).

Moscow.—A $30 million textile plant equipped with Communist Chinese machinery has opened in Berat, Albania. TW correspondent Howard Rausch reports that when the new plant is fully constructed by 1970, it will be the country's largest industrial complex, employing 7,000 workers with an annual production of 14-million meters of cloth. The largest to date, the Soviet-built Stalin textile plant, has 5,000 workers. Its first stage of construction completed, the plant now will turn out 7-million meters with 3,000 employees. Albanian sources told Rausch that Red China shipped 14,000 crates of machinery in the first stage, and 24,000 more will be sent before 1970. This should bring some relief to Albania's 2-million citizens, reportedly the worst-dressed people in Europe.

Paris.—Two of the giants among France's textile groups are moving into Africa and the Middle East with expansion projects totaling $11-million, reports Textile World's Axel Krause. Lille-based Soc. Agache-Willot intends to build a $7.2-million, fully-integrated cotton textile complex in Niger. The new company, Sonitex (Societe Nigerienne Des Textiles), will be jointly owned by the group and local shareholders. Within two years, it will turn out 1,500 tons annually. In a Mossoul, Iraq, expansion project, Soc. Alsacienne De Construction Mecanique plans to double its spinning plant operation and add a new weaving operation. Alsacienne, a large textile equipment and machine manufacturer in Mulhouse, is investing $3.6-million in the project.

Budapest.—Hungary is undertaking a vast renewal of obsolete machinery in its silk weaving industry. Switzerland's Ruti recently shipped 600 looms to replace equipment at plants in the capital and in the provinces. After a trial period, 50 machines at Szentgotthard, West Hungary, are successfully turning out 4,500 meters of nylon, other man-made-fiber fabrics, and lining daily.

Zurich.—As the overall economic growth rate has sagged, so has the textile industry, reports TW's Laura Pilarski. Last year, customs barriers and stiffer international competition slowed the embroidery sector to 90% capacity, with sales off 3.5%. Exports of silk and rayon edged up; but there, too, competition squeezed profits and slowed investment. Wool recaptured 66% of exports lost the previous year with rapid automation. Finishing lost 4%, man-mades dropped slightly in production and sales. Nylon was steady, but there were significant reductions in output of viscose fibers.

Portugal.—Government officials are moving to bolster a shaky financial situation that threatens this country's cotton textile industry with a major crisis. It is largely a crisis of cash—or lack of it—caused when banks began to recall short-term loans used for extensive modernization in the last four years. To get the money, small firms resorted to dumping low-priced products on the international market. As a result, prices went down and the industry suffered. Now, the government is considering these remedies: mergers of small firms to control supplies of raw materials, longer term loans for the industry, and major financial overhauls for worthy firms.

LATE REPORT—WASHINGTON OUTLOOK

President Orders Study on Rising Textile Imports

President Johnson on October 4 ordered the U.S. Tariff Commission to study rising textile imports, especially man-made fibers.

House Ways & Means Committee Chairman Wilbur Mills (D-Ark.), whose committee handles tariff and quota legislation, joined the President in asking the commission to make an "intensive analysis of the present and prospective impact of imports" on the domestic textile and apparel industries—and to report back by January 15.

The report, officials stressed, will be strictly informational. But it will provide facts, figures, and projections to aid the President and Congress in evaluating a

host of bills seeking quotas on man-made-fiber imports (story below). And for the time being, it will ease some of the pressure on the White House for immediate action.

Congress gets behind bill to restrict imports

Congress may soon come to grips with a bill intended to tackle the problem of vastly increased imports of woolens and man-mades.

A wide spectrum of support is mounting to pass the measure, which would impose import quotas on these textiles. Latest headcount shows that 154 House members and 65 senators are sponsoring such legislation currently.

Wilbur Mills (D-Ark.), powerful chairman of the House Ways & Means Committe, is guiding the House measure and Sen. Ernest Hollings (D-S.C.), longtime proponent of textile quota legislation, is sponsoring the Senate bill. Sen Hollings said he would be willing to submit the legislation "as an amendment to any revenue bill that hits the floor."

Because import control is likely to be considered a revenue measure which cannot originate in the Senate under the Constitution, Sen. Hollings is limited to making his plan a rider on House-passed legislation. He first prepared an amendment to a House-passed bill regulating Chinese gooseberry imports.

It is not clear if the Administration is opposing the textile measure, but, historically, Presidents Eisenhower, Kennedy, and Johnson have said they were interested in helping the U.S. textile industry and this bill would certainly benefit. However, the Administration generally takes a free trade line, and may prefer bilateral agreements with foreign nations instead of compulsory legislation.

Greatest opposition comes from the State Department, which does not wish to aggravate delicate trade relations with foreign nations, especially Japan.

The House on September 28 passed by 340 to 29 the Dent bill, which is complementary to the Mills' textile imports bill. The Dent bill would require the Secretary of Labor to investigate certain imported goods that "seriously impair" domestic markets. The Labor Secretary would report his findings to the President, who would be authorized to impose a tariff, increase any existing tariff, or order quotas on the amount of such imported goods. Congress, any industry, a labor union, or any community official could request the Secretary of Labor to make the investigation. Chances for Senate passage are slim.

Industry cooperates in jobs for minorities

The textile industry in North and South Carolina has cooperated with government agencies in providing jobs for minority group members, the Equal Employment Opportunity Commission reports.

The report states that 10 South Carolina textile mills provided 246 new jobs for Negroes during June and July with "voluntary affirmative action." Total annual wages can be expected to exceed $750,000, the report states.

Also in North Carolina, a 12-mo. program has been designed to expand job and training opportunities for Negroes in all job categories in the state's industries.

FIBER AND TEXTILE MEN LIKE UPSWING OF THINGS

The long-awaited upward movement in fiber and textile markets is definitely under way and further improvement is anticipated during the final quarter of the year.

This is the virtually unanimous conclusion of leading synthetic fiber producers and textile mill executives. They base their opinions on the following points:

Optimism is more noticeable than before at the retail level, which must supply the spark for movement of merchandise.

Synthetic fiber sales, led by the carpet fibers and knitwear yarns, have increased and prices have strengthened.

Recent wage increases in the textile industry are being balanced by rising volume, generally across the board, and better prices.

The stortage of raw cotton is adding to the pressures which are making for higher textile prices.

The improvement in market conditions has taken place during the third quarter, which is traditionally poorest in the textile industry.

The one sobering thought expressed by many executives concerned the import problem and the belief imports would resume in heavier volume once domestic business improved.

Following are comments by executives of leading firms:

Louis F. Laun, president, Celanese Fibers Marketing Co.:

"Business has developed a much firmer tone over the past two months. The considerable increase in retail activity has created more business and more optimism at the manufacturer and mill levels. Improvement has occurred in orders for all fibers, including Arnel triacetate, Fortrel polyester and Celanese acetate and nylon. The next six months is expected to see this improvement continue.

"The only dark cloud is the continuing import problem. Foreign textile suppliers gain from an economic upturn in the United States industry, move in when business is firming, then switch to other markets when domestic business softens."

Masten R. Dalton, marketing director, Monsanto Textile Division.

"Market conditions are firming on all levels right up to retail, showing brightening prospects for immediate and short-term business. Fiber sales are strengthening across the board. Carpet nylon is sold up, as are most carpet apparel deniers of Acrilan. Certain polyster prices are firming already and increased expenses certainly point to price increases in the textile deniers."

Arthur M. Saunders, textile marketing director, Du Pont.

"Volume is at or near record levels on all fibers. Business is particularly strong in carpet fibers and in Dacron filament yarn for knitwear. Over the next three to six months we expect continued improvement consistent with growth of volume and strengthening of prices in the textile business generally."

Charles J. Geyer, vice-president, general manager, fibers, American Viscose.

"Textile fiber business strengthened considerably with August deliveries, continued in September and appears equally strong in October. Volume picked up in all markets and end uses, which had been slow for the past 12 months. There has been some improvement in fabric price structures which is especially important for the health of the industry. We believe this turn around is not just a temporary condition, but rather a return to normal demand we had been anticipating."

Charles F. Myers, Jr., president, Burlington Industries:

"There has been noticeable improvement in our business generally in the last few weeks and we are encouraged about the outlook for the next six months. The whole tone in our markets is looking better. Volume is rising, prices are increasing and, we believe, will hold. This is essential, because of the pressure exerted by the recent wage increase and other rising costs.

"Customer inventories have been reduced to low levels in most cases and the replacement process is getting under way. The major concern of the industry remains the import problem, and it looks like it will be up to Congress to decide how much of the domestic market should be reasonably allocated to our foreign competitors and just how many additional jobs an American industry would stand to lose."

James P. Kelley, executive vice-president for sales, Springs Mills:

"There should be continued improvement of both sales and prices during the next six months. Our shipments are picking up and prices are improving. Except for very large customers, the industry has been very conservative in commitments. Our customers have had a fairly good fall, and holiday and spring business seems to be coming along exceptionally well."

Robert Bendheim, president, M. Lowenstein & Sons:

"Synthetic and polyester/cotton blend prices continue to improve. Many fabric blends are still showing inadequate margins and there should be further price improvements. In some instances standard cotton cloths are selling below costs. Cotton is scarce, prices have moved up and with recent wage increases current prices have not yet reflected increased costs.

"Sales have generally improved and we feel there will be further improvements in both sales and profits on new business over the next six months."

James Self, president, Greenwood Mills:

"Imports will be the key factor in determining the continuation of the current profit squeeze in the textile industry. Presently the price of cotton is up from last year, and the recent wage increase has pushed labor costs up. Cost of synthetics is leveling off but the other factors determine the problems at hand."

George Aufderheide, Jr., executive vice-president, McCampbell sales division of Graniteville Co.:

"In general we are optimistic about the next six months, despite the possible shortage of cotton suitable for blended fabrics. The attitude of Congress toward curbing imports is very encouraging. The acceptance of soil release is a big plus factor in our current business, although some technical problems remain."

Robert S. Small, president, Dan River Mills, Inc.:

"The first evidence of an upturn on certain products came in late May and early June. There's been no rush but I feel that each week a new product shows real signs of life, and there's been a firming up of weak fiber prices that prevailed last year and this year. Our third quarter is traditionally our poorest, but we are looking ahead to better profits in the fourth quarter of 1967."

[From the Daily News Record, Oct. 12, 1967]

WORSTEDS ARE BOOMING, MILLS BOOKED WELL AHEAD

(By Frank Stuart)

NEW YORK.—Domestic worsted business is booming.

Fabric buyers for clothing producers indicate delivery dates for fall 1968 fabrics are becoming extremely tight.

Mill spokesmen are a little more cautious in their comments.

In general buyers have projected blanket orders unusually far in advance. While these are unspecified orders in terms of pattern and color, mills report specifications are coming in at a rapid rate.

William Lucado, sales head of Deering Milliken's worsteds, says his unfilled order position has improved greatly and the fall of 1968 season "looks good."

A spokesman for J. P. Stevens & Co., says February and March would be his earliest delivery on worsteds and he has blanket orders extending into May and June. Specifications on blanket orders are arriving at such a rapid rate recording has not caught up with them and the company does not know its percentage increase as compared with last year.

In the case of Burlington Industries, fabric buyers say the company's Raeford and Pacific Mills units are also booked well ahead and that it tends to be somewhat more advanced than most of its competitors.

The Raeford division is known to have booked virtually all the business it can take in fabrics composed of yarns in a 2/60s metric count without throwing its ratio of spinning to weaving out of balance. Raeford is the only domestic mill producing any volume in this fine yarn count.

At Worcester Textile Co., Marty Marcus, head of the sales office, says, "It looks like a good domestic season and we are doing good business." Blanket orders are ahead of last year and the mill has orders extending through June. As in the case of Stevens, the company is getting a lot of specifications on blanket orders placed earlier and does not know to this moment how solidly production is committed.

Representing the position of a smaller producer, Albert Fleury and William Snow of Abbott Worsted say, "We are more optimistic than we were last year." This producer, which is a source of spring weight polyester/worsted tropicals, finds demand for later deliveries up on spring goods and will continue to ship these until the first week of March.

Speaking for Southern Worsted Mills, W. S. Vanderbilt, Jr., vice-president, says the mill is ahead on blanket orders by a small percentage.

Meanwhile, mill men do not regard their improved sold ahead position as anything startling. Many worsted mills have closed during the past decade and, as a result, total industry production is more closely in line with normal demand.

Last year was regarded as a poor year. Fall, 1969, looks unusually good to them—better than either 1964 or 1965.

The present improvement is thought to represent several factors. Among these are low inventories of fabrics in manufacturers' hands and elimination of excessive retail inventories.

The present heightened interest generated by a much stronger fashion image in men's wear is also regarded as a significant factor in good sales for worsteds.

[From the Daily News Record, Oct. 6, 1967]

DU PONT ALLOCATING DACRON STAPLE, YARN

(By Albert Pighini)

NEW YORK.—Du Pont is allocating Dacron polyester staple and textile yarns.

Additional Du Pont capacity has been under construction for some time but will not come on stream until year.

This reflects a tightening of the polyester market for both staple and filament yarn.

Other polyester producers report the following:

Celanese.—Louis F. Laun, president, Celanese Fibers Marketing Co., said both plants of Fiber Industries are running at full capacity. Additional capacity is coming on stream.

"We don't see any problems in meeting anticipated customer requirements in both polyester staple and filament yarn," Mr. Laun said.

Eastman.—Kodel IV staple is in tight supply and "we are watching the situation very carefully and staying in close touch with our customers. Our Kodel II carpet staple has been on allocation for several weeks," a spokesman said.

Beaunit.—"There is a definite tightening in both staple and filament yarn."

Monsanto Textiles Division.—"We have seen a good improvement in demand for blended and 100 per cent polyester fabrics," a spokesman said. "We see a growing demand for polyester knit goods."

American Viscose Division, FMC Corp.—"There has been a decided pickup in regular polyester staple sales to the apparel area, and the carpet area has picked up well," a spokesman said.

In explaining the Du Pont action, a spokesman said it was necessitated by increases in demand for Dacron staple and filament yarns, reflecting a general strengthening of the fabric market.

Shipments of Dacron are at a high volume with demand being particularly strong in broadwoven blended fabrics, yarns for texturing and products for home furnishings.

Generally, the polyester shortened supply situation also reflects:

Lightweight blended polyester/cotton fabrics coming to life.

Growing demand for polyester knits.

Accelerating use of polyester yarns for texturing.

Decidedly more interest by the industrial market.

Unexpected and rapid acceptance of polyester by the carpet industry.

Deeper and faster penetration in the sheet market than expected.

The cumulative effect of this increased consumption has turned the polyester situation around. Major producers have experienced decided improvement in volume and branded prices have stabilized at the 58-cent level for regular apparel deniers.

The long-range outlook for polyester has not lost any of its rosiness. When some of the potential markets still relatively untapped are considered, the spectre of overcapacity fades somewhat into the background.

WILMINGTON.—Du Pont expects a 19 per cent decline in earnings on a 1 per cent easing in sales for the third quarter, H. Wallace Evans, treasurer, said.

In the third quarter to Sept. 30 last year, Du Pont had earnings of $90,383,789, or $1.90 a share, on sales of $773,034,642.

Mr. Evans attributed the earnings decline primarily to a slowdown for textile fibers. The fiber situation, he added shows some indications of improvement.

Mr. Evans expects some price firming in fibers soon, but stressed that imports are still a major problem. He observed that industrywide fiber capacity is expanding with his firm due to produce another 100 million pounds annually of Dacron staple in a plant being built here.

Too many uncertainties in the last quarter make it impossible to project results for that period, he added. However, he believes sales and earnings for this year will fall below 1966. In 1966 earnings totaled $389,118,088, or $8.23 a share, on sales of $3,158,982,506.

[From the Women's Wear Daily, Oct. 12, 1967]

Du Pont Confirms It's Behind on Dacron Deliveries

(By Sanford Evans)

New York.—Du Pont confirmed reports Wednesday that it is behind on deliveries of its Dacron polyester.

A company spokesman said this situation has caused a reduction in November and December bookings.

Mill men using Dacron staple for light and heavyweight polyester/cotton blends report they have experienced reduced shipments of Dacron staple for the past few weeks. For this reason it did not come as a complete surprise when Du Pont last week stated it was placing Dacron on allocation.

In the interim, however, many mill men have become more fully aware of the implications of the allocation statement. As a result a number of them have grown concerned and cautious in placing additional forward commitments with their customers.

The overwhelming questions in the minds of these weavers are how extensive the reductions in shipments will be, how long the situation will continue and how long it will take to get a clear picture of at least their near term position.

Estimates as to how long it will take to clear up the immediate situation vary widely. Most mill men hope that they will get concrete figures for November and December Dacron shipments in the next few days.

The longer view is necessarily less certain. However, it is reasoned that if demand for the fiber continues at the same high level, its allocation will have to continue. Relief from the situation would then only come as additional Du Pont capacity comes on stream next year.

Meanwhile, a number of mills have withdrawn from the market in order to buy a little time while the situation clarifies and to emphasize their stronger stand on prices.

One mill man reports that he has simply raised the prices on all his gray and finished Dacron polyester/cotton fabrics two cents a yard. This move hiked the price on gray 96x72 batistes to 32 cents a yard and the 128x72 broadcloths to 37 cents.

A spokesman for Deering Milliken said the mill has withdrawn Dacron polyester/cotton light and heavy finished goods from the market until it can fully evaluate the impact of this allocation situation. He added that the results of this move by Du Pont could be a cut back in staple which could result in less availability and possibly higher prices on pieces goods.

[From the Daily News Record, Sept. 19, 1967]

Fiber Producers Beaming as Price Increases Loom

(By Doug Hall)

New York.—Fiber producers are changing their tunes. Only the opening bars have been heard, but already it's clear there's been a switch to a firm upbeat in the market.

Some fiber men are even talking about raising prices, but no one will talk about specific increases in apparel deniers despite recent rises in nylon and polyester carpet fibers.

Claude S. Ramsey, president of American Enka Corp., said he "wouldn't be surprised if there were price increases in the first quarter."

Stanley Rose, marketing manager of American Viscose Division of FMC Corp., talks of an eventual rise in fiber prices and adds, "we may have a price announcement shortly."

One thing fiber men are unanimous about: Business is better, prices are firmer, and everyone is much more optimistic than just a few months ago.

Why the turnabout? Mainly because retailers are doing better than had been expected. "There is an unusually strong retail business. This unusual surge has led to new optimism for spring, 1968," comments Joseph H. Anderer, vice-president for apparel marketing at Cleanese Fibers Marketing Co.

Du Pont, the king of the fiber makers, had some guarded comment on this

new wave of optimism. A spokesman gave the following rundown:

Orlon.—There is moderate improvement.

Nylon.—The volume is up modestly.

Dacron.—Both staple and filament have shown significant improvement.

Asked about reports that Du Pont had been selling 150 denier Dacron filament for knit dresses 10 cents off list and has now restored this item to list in the fact of a firming market, this spokesman replied:

"The filament market—not only polyester but all types—has been very fluid. Fluctuations in price have followed the general trend of the market in the past and probably will in the future. At present, Dacron filament business is excellent, and this recent improvement in most segments of the business is reflected in increased fiber prices."

The Du Pont spokesman confirmed that 150 denier Dacron had returned to list price at $1.58 a pound. He added that business in September and fourth-quarter orders for Dacron filament were "excellent."

Bruce Roberts, director of merchandising for Eastman Chemical Products, Inc., says, "There's no question about it—business is better. Gray goods are sold ahead better. Prices are firmer on lightweight goods in polyester. Business in general has firmed up. The manufacturers are in a good position. We're selling a lot of fiber."

Walter Polett, director of marketing for Allied Chemical Corp., commenting on the nylon market, says, "sales are firm and prices are firm. (It's the apparel fiber market) not the same situation as in the home furnishings market (where some deniers have really gotten tight) but I see a trend for good volume."

Higher prices of good quality long staple cotton are seen creating a more favorable position for rayon and polyester by some fiber producers.

A spokesman for Beaunit says this situation has increased volume on Beaunit's bright luster Vycron Tough Stuff polyester.

Mr. Rose sees a broadening application of rayon because of the tight situation in long staple cotton.

He is "quite optimistic" for all fibers, however. Citing "tremendous retail business," he views the polyester market as "changed materially."

He also points to the high cost of money the past year as having kept mill inventories slim and he sees the retail boom causing the mills to start buying.

Mr. Ramsey warns that the "import situation looming over the market could kick the props out from the market again," but he seems basically optimistic.

Mr. Ramsey calls the firming "long overdue," citing excessive price attrition, rising production costs and surplus capacity.

He points to a firmer situation in housing, the auto industry (despite the Ford strike) and apparel as giving the whole fiber picture new health.

Mr. Anderer says business is being given a boost by "continued growth of the durable press concept."

The hottest spot in this optimistic picture is knits, according to Mr. Anderer, who adds, "we have an awfully big stake in that.

"Bonding is better than last year and we do pretty well in that too," he comments.

As for polyester staple, Mr. Anderer says, "There's plenty of it, but it's manageable. There's no shortage or price increases but business is very good."

A check with Monsanto Co. brought the comment: "There is no doubt the fiber industry is in better shape now than in recent months. The market is firming and there's a strong feeling of renewed confidence."

[From the Daily News Record, Oct. 4, 1967]

UNABATED SPENDING BOOM IS FORECAST FOR NEXT YEAR

NEW YORK.—Consumer spending in 1968 should be up 7 per cent and with a little luck, the increase could be 10 per cent.

This was the prediction of Walter A. Couper, senior research director (economics) of Federated Department Stores.

Mr. Couper told the consumer goods session of the National Industrial Conference Board Tuesday that the 7 per cent figure was conservative. He said it was based on the assumption consumer savings would continue at the current high level and that there would be little or no growth in consumer instalment debt from the close to $75 billion level in mid-1967.

"Should these assumptions prove overly pessimistic resumption of long-term relationships in savings could add $6 billion to the stream of consumer purchasing power and the normal credit increase could add another $7.5 billion. The potential, therefore, exists for consumer spending in total to show year-to-year gains 2 to 3 percentage points higher than my forecast suggests."

Mr. Couper's specific, though admittedly conservative projections for 1967 and for 1968 are:

Apparel sales generally, up 6 per cent this year, and 7 per cent in 1968.

Men's wear up 8 to 9 per cent in 1967, 7 to 8 per cent in 1968.

Women's wear up 4 to 5 per cent in 1967, to 7 per cent in 1968.

Department store sales, $27.5 billion in 1967, close to $30 billion next year.

Mr. Couper said soft goods sales would remain relatively stronger than hard goods. Department store expansion would continue faster in the suburbs than downtown, in line with the basic trend. He told Fairchild News Service® the racial problem had not deterred Federated from planning new stores on the basis of our "best growth potential. We'll build our new stores where the best markets are."

On the general economy, four experts kept their forecasts and their chins up at the morning session of the NICB look at business in 1968.

They generally expect rising demand, prices and profits in the next 12 months despite uncertainties such as the Vietnam war, auto workers' strike and a worsening balance-of-payments.

They saw no alternative to a tax increase, cautioned it must be linked with restraint on wage demands and non-essential Federal spending.

Leif H. Olsen of First National City Bank said the price spiral was bound to continue in 1968 if monetary policy remained expansive. As more money was pumped into the economy, the public would be more willing to exchange it for goods and services, he said.

Roy L. Reierson of Bankers Trust Co., said the country faced further and more serious inflation in the next 12 months than in recent years and there would be no reversal of easy credit policy in the next few months.

Otto Eckstein of Harvard University supported a 10 per cent tax increase "given the outlook of more Vietnam spending, rising civilian demands and the present state of financial markets."

Martin R. Gainsbrugh, NICB chief economist, said a strong opening in 1968 might be a prelude to substantial softness in the second half. He saw the uncertainties about a tax increase clouding big-ticket spending.

Luncheon speaker Charles J. Zwick, assistant director of the Bureau of the Budget, strongly defended the President's proposed 10 percent surtax.

Mr. Zwick also asserted it would not be feasible to cut the budget by $5 billion as Congress was urging without severely cutting back major civilian programs. (Later at a press conference, he said that the Administration would be willing to go along with a $2 billion cut.)

Federal expenditures, Mr. Zwick emphasized, were in line with the rise in Gross National Product. He denied that the tax increase would be an unreasonable burden, stressed that it was an effective way to combat inflation.

[From the Daily News Record, Sept. 20, 1967]

Sport Coats Leading Clothing to 20 Percent Gains

(By Malcolm MacPherson)

New York.—Sport coats are leading tailored clothing to over-all unit increases of 20 per cent for spring '68, with nearly 85 percent of bookings completed.

With about three selling weeks to go for most manufacturers, '68 promises to provide the most profitable returns of any recent spring season.

But suits have suffered from the recent bursting popularity of sports jackets.

Comments from leading clothing manufacturers have all the optimisms and signs of economic health that come with a successful selling season:

Norman Hilton, president of the company bearing his name: "We have 75 per cent of our booking in and sales are running 20 per cent ahead of last year. My salesmen will be in the field for two more weeks."

John D. Gray, president of Hart, Schaffner & Marx: "We're extremely pleased with our advances, which are substantially ahead of last year. Sport coats for

us are ahead of anything else in the line. Our men will be selling for two to three more weeks."

Michael Daroff, president of Botany Industries: "Over-all, we're ahead in every item. Because of the way we operate with franchises, we expected to be way ahead of last year. It's now a fact."

Leo Kaiser, president of Mavest: "Business is great. We are presently running 20 to 25 per cent ahead in units over spring '67 and 70 to 75 percent of our accounts are in."

Stanley Goldman, president of Eagle Clothes: "We're up 20 per cent in units and we're 85 per cent sold up. Sport jackets, particularly, are way up because, I would imagine, we are experiencing a boom period for leisure, which means sportswear."

George Weintraub, president of Timely Clothes. "Sport coats are considerably ahead of '67, but that does not mean that we are losing suit units to sport coats. It all depends on the inventiveness of the individual manufacturer to give buyers the maximum of what he wants, not to sacrifice sportswear for clothing."

Chester Kessler, president of Hammonton-Park: "Over-all, we are 15 per cent ahead in units. Sport coats, moreover, are 25 per cent ahead of our entire sales for all of spring '67."

Maurice Tumarkin, president of Baker Clothes: "It's not how the horse starts, it's how he finishes. We are roughly 90 per cent booked and are running considerably ahead of last year. Realistically, in units, we are 8 to 10 per cent in front of last spring's sales."

Larry Kane, vice-president of Stanley Blacker: "We're sold out. Our line has been withdrawn. We are increasing production of sport coats by a couple of thousand units a week, and these are sold out. We are taking no more new business. I cannot attribute this to model as much as color and pattern. We did very well with bright plaids, checks, Dacron polyster/worsted hopsacks and cavalry twills."

[From the Daily News Record, Oct. 16, 1967]

Recorders Fill Out Sweaters to Perfection

(By Don Giesy)

PHILADELPHIA.—Sweater manufacturers here are exchanging congratulations on the lively pace of reorders.

The fall market, in other words, is living up to the favorable predictions made at line opening time. Reports are widespread of knitters being forced to withdraw numbers from the fall line because of a sold up position.

David Rosenblatt, Highland Knitting Mills, president of the National Knitted Outerwear Association, said:

"During the first six months, men's sweater shipments were off, possibly as much as 25 percent. Retail stocks went down. About mid-year, activity picked up and the market has been strong since. There is a possibility of shortages developing for the holiday season."

A number of manufacturers say stores are in the market for promotional goods, but are not finding them. Manufacturers have no interest in discounting merchandise that can readily be sold at list.

The contrast with conditions this time last year is marked. "Then we were dumping goods like crazy," a knitter said.

The strength of the sweater market is evident in a tightening of the availability of knitting yarns. A spinning source reported that alpaca yarns and certain types of fine mohairs are "very tight and prices very firm." With some specialty yarns, delivery is at least three months.

Whether a sweater shortage of significant proportions actually develops this fall is speculative. But Morton Pauker, Pauker-Segal Knitwear, expressed a consensus when he said, "A shortage of selected items seems extremely likely."

This comment by Irving Muchnick, Glasgo Limited, Inc., is typical:

"Reorder business started earlier than usual and has held up very well. We've had to withdraw four numbers. The encouraging feature of this market is that everything is selling, fashion and staples—alpaca stitch golf sweaters, lambs wool, double knits with and without trim, and especially long sleeve knit shirts."

Some concern is expressed over the move by underwear mills into the knit shirt field. But business is too good to worry much about anything.

[From the Daily News Record, Oct. 3, 1967]

CLOTHING BUSINESS GOOD—AND CMA CONFIRMS IT

NEW YORK.—Clothing business is good.

In case anyone had doubts, a board meeting of the Clothing Manufacturers Association of the USA, Monday confirmed strong current reorder business and advance spring bookings.

Directors based their evaluations of business on indications from manufacturers.

> Spring, 1968 bookings over the past eight weeks generally showed appreciable increases over one year ago in all categories of tailored clothing—including suits and topcoats, as well as sport coats and slacks.
>
> Retailers are filling in on fall clothing items earlier and heavier than one year ago.
>
> This stepped-up store demand for fall and spring clothing tends to confirm earlier indications that fall retail business has gotten off to a stronger start, and that spring carryover is below last year's level.
>
> A recent survey by the National Credit Office indicates that clothing manufacturers experienced encouraging increases in sales for the second quarter and project even larger ones for the third quarter.
>
> Initial delivery of men's clothing is running on schedule, despite complications presented by the wider assortment of models, colors, fabrics, and patterns, (particularly involving the heightened emphasis on plaids).

The CMA also reports that Market Action Weeks for fall 1968 here will be Feb. 19 through March 1, 1968.

The dates of Aug. 19 through 30, have been set for spring 1969 Clothing Market Action Weeks.

The CMA tentatively plans to hold a special evening event during each of the semi-annual market periods, and a subcommittee has been appointed to explore various possibilities.

Plans for the Fourth Annual CMA Seminar for Production Executives will be made at a meeting of the production supervisors committee on Thursday, Oct. 19, at the Philadelphia College of Textiles and Science.

GENESCO CHAIRMAN PREDICTS APPAREL BOOM THROUGH 1975

(By Max Shapiro)

LOS ANGELES.—The apparel industry should have its best year ever in 1967 and can expect to increase business 50 per cent by 1975, Genesco's chairman, W. Maxey Jarman, predicted here.

But individual manufacturers shouldn't be satisfied with a mere 50 per cent gain and ought to plan to double business in the next few years, he added.

Mr. Jarman spoke at a luncheon during the American Apparel Manufacturers Association's convention held here this weekend at the Ambassador Hotel.

He said there were going to be more people working at higher wages and with more disposable income to spend than ever before in 1967, even with higher taxes and even if the auto and home building business slack off.

In the latter case, if people spend less for cars and homes, they'll have more to spend on soft goods, he said.

Mr. Jarman said the industry, which he estimated has some 30,000 manufacturers doing $30 billion business annually, was entering a transition stage with new materials, new products and new distribution patterns emerging—and thus needs larger companies to cope with these changes.

But no company now does as much as 5 per cent of the total business and it's unlikely that any ever will, he predicted.

"Because of the tremendous variety of products, fast-changing fashions and fads and the easy opportunity for people to start up in this business, there will always be many small companies."

Commenting on the favorable climate for expansion, the Genesco executive said he was recently in the office of FTC Chairman Paul Rand Dixon ("A social visit") and Mr. Dixon told him the FTC had 60 economists and every one of them was bullish.

"You're not going to be able to build factories fast enough to meet demand," he quoted Mr. Dixon as saying.

Mr. Jarman was later asked by Fairchild News Service®—if he expected Genesco to double its apparel operation in the next few years. He said that they did, they had the little figures all written out, but as for their timetable—that was only for Genesco to know.

But doubling business, he continued in his speech, can't be accomplished with a wand wave. It requires finances, people, additional facilities.

This doesn't necessarily mean a doubling of floor space, he said, because manufacturers will probably boost production per square foot in coming years through an increase in mechanization, through better planning and perhaps with a greater number of hours with more shifts.

He said manufacturers had two other challenges beyond that of expansion. These are obligation of service (to both retailers and consumers) and to render better service to their own employes.

He listed other obligations, such as to investors and to the Government. No matter how objectionable new Government regulations may be, if they are the law, then manufacturers should go along with them with good grace and a willing spirit, he said.

Earlier, the AAMA president, Frank Evans (president of Red Kap, Inc.), commented on a recent newspaper article describing a slump in the textile industry.

This so-called slump does not apply to the apparel portion of the business, he emphasized. His association's own private poll of 116 members showed sales up 3.3 per cent in January, 1967, and a gain of perhaps even more indicated for February over the prior year, he noted.

Mr. Jarman speculated that mini-skirts and tight pants might be two reasons why clothing sales are up while textiles are down.

"We have to give the public what it wants," he said.

Genesco is definitely interested in further penetration of the men's shirt market, he said, but declined to say if any negotiations with any firm were in progress.

The CHAIRMAN (now presiding). Mr. Masaoka.

STATEMENT OF MIKE MASAOKA, WASHINGTON REPRESENTATIVE FOR THE ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC.

Mr. MASAOKA. Mr. Chairman and members of the committee, my name is Mike Masaoka, Washington representative for the Association on Japanese Textile Imports, Inc., a New York trade organization whose members import more than 70 percent of all textiles from Japan.

While we are opposed in principle to all quantitative import quotas legislation, in the 10 minutes allotted to us, we shall address ourselves specifically to those involving textiles such as that proposed by Senator Hollings.

And, because of the time limitation, may we respectfully request that the prepared 21-page statement of the association be accepted and incorporated into the record of these hearings.

The CHAIRMAN. That will be done. Go ahead.

(The prepared statement referred to with a letter to the chairman from Mr. Masaoka follows:)

STATEMENT OF ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC., IN OPPOSITION TO IMPORTS QUOTA LEGISLATION, SUBMITTED BY MIKE M. MASAOKA, REPRESENTATIVE

This statement is submitted to the Committee on Finance, of the United States Senate, in opposition to all legislation which would impose quantitative limitations on various products imported into the United States in general, and to all bills which would dictate import quotas on all textile products in particular, by and on behalf of the Association on Japanese Textile Imports, Inc., a New York trade organization whose members are responsible for more than 70% of all Japanese textiles entered into the United States market for the benefit of the American consumer.

We understand that the measures being considered by the Committee at these hearings include such legislation (1) as that proposed by Senator Edmund Muskie (S. 1446) which would establish quantitative import quotas on certain imports when such imports reach certain percentages of domestic production, (2) as that introduced by Senator Ernest Hollings (S. 1796 and proposed amendments numbered 264, 282, and 321) which would set up import quotas for textiles and by other Senators which would provide for import quotas for other individually specified foreign merchandise, and (3) as that recently publicized in the newspapers which would impose import quotas in an omnibus bill on several specifically identified products.

Since we understand that the Secretaries of State, Commerce, Interior, Labor, and Agriculture, as well as the Special Representative for Trade Negotiations, are to testify on behalf of the Administration in opposition to the import quota concept, we do not intend to expand, except perhaps incidentally, on the argument that our national self-interest requires the defeat of legislation aimed at imposing quantitative unilateral, multilateral, and/or bilateral limitations on any imported articles.

Moreover, since our special concerns and background are in textiles, we shall—for lack of more time and space—generally confine our testimony in this statement to our conviction that import quotas on textiles are not only unnecessary and unwarranted, but also inimical to the national well-being of our country.

And, because the President, pursuant to a law enacted by the Congress, has directed the Tariff Commission to conduct an investigation of the economic condition of the domestic textile industry, including an assessment of the impact of imports thereon, we shall restrict the economic facts affecting both the American industry and imports to the minimum in this statement.

We trust, however, that this Committee and the Congress will not legislate on this subject of textile quotas until the Tariff Commission study is available early next year, by January 15, 1968. So much is at stake that there is no need to consider import controls on all textiles before that time. And even then, we are hopeful that any action that may be taken by this Committee and the Congress will be in the national interest, and not for the sake of political expendiency.

TEXTILE IMPORTS QUOTA UNWARRANTED

We believe that the economic condition of the American textile industry is so promising that quantitative quotas on all textile imports are not only unjustified but unwarranted by the facts.

Indeed, we would go so far as to urge that the so-called Long-Term International Cotton Textiles Arrangements and the many bilateral cotton textile agreements which were negotiated to supplement that multilateral trade barrier be cancelled.

Congressional Comments

For an amazingly perceptive, accurate, and comprehensive appraisal of the economic status of the American textile complex, may we respectfully refer the Committee to the specific comments of Congressman Thomas Curtis, one of the four congressional representatives to the recently completed Kennedy Round of tariff negotiations in Geneva, as recorded in the *Congressional Record* for August 29, 1966, and for July 24, 1967.

Congressman Curtis declared this summer (July 24, 1967) that "The American textile industry is a veritable Janus. The industry's smiling face is turned toward the consumer, the investor, and the public at large; its scowling face is turned toward the Federal Government, including the Congress, which is presented with statistics and complaints that, without the benefit of considerable background knowledge, appear to show that the textile industry is in a very bad way.

"As in any complex economic matter, there is evidence on both sides. It can be presented pessimistically or optimistically. The task of the policy maker is to achieve a balanced judgment. The balanced picture for textiles seems to be that the industry is going through a period of readjustment from the strains of 1966 just as is the rest of the economy, and this view is reiterated by many informed industry analysts."

In his recent book (1966), "America In The Market Place", former Senator Paul Douglas, only recently a member of the Finance Committee, exposes the "great weakness" in the classic protectionist argument regarding infant industries.

"Those who benefit from the tariff will refuse to admit that they ever grew up, and even in hoary age will continue to demand protection," the former Illinois' lawmaker and economist wrote. "The textile and metal industries first raised their infant cries after the War of 1812. These pleas have continued for a century and a half. They were successfully made during and after the Civil War, and again at the turn of the century, and they reappeared with full vigor in the 1920's. Today, the very same groups are still beating the drums for further protection. The textile and steel manufacturers argue as thought they were indeed in a perpetual state of infancy. Instead of welcoming a chance to grow up and fend for themselves, they refuse to be weaned and insist rather on drawing sustenance from the breast of an indulgent mother, although they wear the whiskers of old age.

"If these industries cannot grow up in one hundred and fifty years, it may be asked, 'when, if ever, will they?' Sometime the silver cord of dependency should be broken and the industry should learn to stand on its own feet and be self-reliant. The manufacturers in these tariff-protected industries are fond of urging these sturdy virtues upon the poor, but they are extremely reluctant to see this same principle applied to themselves."

Since import quotas are a far more protectionist device than mere tariffs, the comments of former Senator Douglas should be even more compelling in the context of the continuing and current campaign of the domestic textile industry for import relief.

Industry Record 1957–1966

There are a number of rather standard indexes to measure the economic progress, if any, of the American textile industry over the past decade, from 1957 to 1966, inclusive.

We shall summarize only a few of them in this statement to indicate that the general trend of the textile industry has been continually upward.

Indeed, if one would check with the various stock brokers, one would find that, while only a few years ago textiles were considered a rather "poor" investment, they are now considered among the more attractive investment possibilities.

The "Textiles Statistics Section" of *America's Textile Reporter*, monthly trade journal of the industry, for August 31, 1967, reveals an overall increase in the *output of broad woven fabrics*, the barometer of industry production, for the last ten years.

The total for all broad woven fabric production, except for tire cord and fabrics, increased from 12,117,558,000 linear yards in 1957 to 13,311,990,000 linear yards in 1966, for an increase in production of almost two billion linear yards in the past decade, or almost 100,000,000 linear yards on the average per year.

The total output for cotton, wool, and worsted cloth decreased in this period, while the production of manmade fiber and mixed and blended natural and manmade fiber fabrics increased, thereby demonstrating the tremendous shift in the use of fibers. Cotton cloth production decreased from 9,583,764,000 linear yards to 8,846,033,000 linear yards and wool and worsted fabric production dropped from 294,490,000 linear yards to 265,214,000 linear yards, while manmade fiber and silk broad woven fabrics, including mixes and blends, jumped from 2,289,-304,000 linear yards to 4,200,743,000 linear yards.

As for *sales and inventories*, according to Department of Commerce data, textile sales in 1957 amounted to $12,806,000,000 and in 1966 $20,407,000,000, while in 1957 inventories totalled $2,240,000,000 and in 1966 $3,245,000,000. In this last decade, textile sales increased by an average of more than $600,000,000 a year.

Also, *corporate profits statistics*, after payment of federal income taxes, as released by the Federal Trade Commission, show that corporate profits of both the textile mill products industry and the apparel and related products industry increased more than for all manufacturing industries (except for newspapers which were not included in the tabulation), based on per dollar of sales and on stockholders' equity. Although total textile industry corporate profit remains less than the average for all manufacturing industries, the gap is being closed rapidly, especially in terms of stockholders' equity.

Expressed in cents, the corporate profit per dollar of sales for all manufacturing industries was 4.8, for textile mill products industry 1.9, and for apparel and related products 1.3 in 1957. Ten years later, in 1966, these figures were for all manufacturing 5.6, for textile mill products 3.6, and for apparel and related products 2.4. In other words, in ten years, corporate profits, after federal income taxes, had increased by less than a penny for all manufacturing industries, but

by almost two cents for the textile mill products industry and by more than a cents for the apparel and related products industry.

Again, expressed in cents, the annual increase in stockholders' equity averaged for all manufacturing industries 11.0, for textile mill products 4.3, and for apparel and related product industries 6.3 in 1957. By 1966, the increase had reached 13.5 for all manufacturing, 10.1 for textile mill products, and 13.3 for apparel and related products. In the period from 1957 to 1966, stockholders' equity in all manufacturing had increased only two and a half cents per dollar, while that for textile mills products had increased by almost six cents and apparels and related products by seven cents. The gap between all manufacturing and textile mill products of almost seven cents and all manufacturing and apparel and related products of almost five cents in 1957 had narrowed considerably within the last ten year period.

Indeed, the boast of many textile executives was that in the 1957–1966 decade the American textile history reached historic peaks in production and profits.

Douglas Greenwald, chief economist of McGraw-Hill's Economics Department, in McGraw-Hill's *Textile World* magazine for April 1967, stated that during the last ten years production of textile mill products increased by about 38%, as measured by the *Textile World's* index of mill activity, and by 42%, as measured by the Federal Reserve Bank's index of textile production. "Thus, output of the industry has grown at an annual rate of about 3.5% per year for the full 10-year period but has nearly doubled that growth rate in the last three years. . . . We expect that the record of the industry over the next ten years will surpass that of the past decade."

Industry Prospects

We are aware that the record production and profits of the domestic textile industry has levelled off and perhaps even declined in some sectors this year (1967). But, this apparently temporary condition should not be cause for alarm.

McGraw-Hill's *Textile World* for June 1967 explains that "The leveling-off of production is not unique within the (textile) industry, but follows the trend of the entire economy. Moreover, new textile plants and equipment (built up tremendously in 1965 and 1966) are now on steam and providing more than ample capacity to meet present demands for products. The outlook: at least September before there is a moderate upswing."

The President of Burlington Industries, the world's largest textile company was quoted in the *Daily News Record*, the daily trade journal of the textile industry, for March 29, 1967, as warning that "While current business in textiles is generally down from last year's record levels, improvement could come about before the end of the year. Prices are not likely to fall below present levels; more likely we are on a plateau from which an upturn can be anticipated. Just how long this may take is dependent upon too many factors to warrant speculation. Softness has affected many other areas of the national economy too. Sometimes we in textiles tend to over-react, to our own detriment, and lose sight of the longer term trend—which is steadily upward."

After discussing various economic indicators, Congressman Curtis concluded in his speech July 24, 1967, to the House of Representatives, "There are indisputably some recent declines in production, prices, and employment, . . . but there are also signs of stability and there are forecasts of future growth. The data seems to show readjustment from the strains of 1965–1966, when defense demand put a final load on an industry that was doing all it could to meet consumer demand. In this period of high demand, imports naturally rose, and now they are tapering off. What seems to emerge is that the industry is readjusting to something approximating its levels of activity of 1964 and early 1965, and that this adjustment is in keeping with the activity of other industries, and the economy as a whole."

According to *Standard & Poor's* "Industrial Surveys", for Textiles and Apparels, August 10, 1967, "Further Recovery in View", "The textile products stock price index rebounded 20% during the early months of this year, following a slump of about 50% in 1966, and subsequently held in a relatively narrow range in face of sharply lower first-half earnings. A reversal of the profits downturn appears at hand, and, while recovery may be slow over the balance of the year, a much improved profits rate appears in prospect for at least the first half of 1968. In relation to severely depressed profits estimated for 1967, the group is selling at about 13.1 times such earnings. A more liberal appraisal of future earnings should develop over the near turn. . . . Prospects for the apparel

industry also appear more promising with an expected improvement in consumer spending . . ."

In its latest "Current Analysis and Outlook", *Standard & Poor's* (August 10, 1967) reported that "Production of textile mill products levelled off in the June quarter with the FRB index at about 135, after a slide from the mid-1966 peak of 144. Operations in the year through June 1967 fell from 96.5% of capacity to 87%. Gradual improvement in output is now likely, but production probably will remain below that of a year ago in the final half of the year. During early 1968, production should rise above that of a year earlier as economic activity accelerates...

"Sales of textile products by manufacturers rose 3.6% through May of this year, but the rise in the latest month was about 6%. Some widening of the year to year increase is expected over the balance of this year as trade inventories are replenished, particularly at the retail level, which is experiencing record sales. Increased takings also appear in prospect by the automobile and home furnishings trade . . . For the 12 months through mid-1968, profits should run well above the like year-earlier period. Recovery from depressed results is also likely for apparel and fiber producers."

In judging that "Downturn Now Appears Behind," *Standard & Poor's* Textile and Apparels Survey (August 10, 1967) summarizes the future outlook: "Textile activity is headed for recovery following the severe setback from mid-1966 peak—rebuilding of inventory and rising economic activity should stimulate recovery—better earnings are indicated by the final quarter and early 1968."

In its more comprehensive "Basic Analysis" of Textiles and Apparels, *Standard & Poor's* "Industrial Surveys" of September 29, 1966, forecast that "Growth of the textile industry through 1970 was generally projected at a compound rate of 4% to 5%. A like growth rate is estimated for apparel markets, about 6% to 7% for home furnishings, and from 3% to 4% in industrial markets . . ."

As far as *industry productivity* is concerned, *Standard & Poor's* noted that the "Senate Subcommittee Report released in 1964 and covering the three year period through 1957, indicated that mill output per man rose from 7.8 yards to 11.6 yards, a gain of 48.7%. Improvement is indicated to have continued in the ten years through 1965, when employment declined by about 11%, whereas the textile mill production index rose some 34%.

"An early 1966 study of the Bureau of Labor Statistics indicated more intensive machine utilization and higher productivity per machine more than compensated for the retirement of marginal mills and obsolete equipment. In 1964, for example, only slightly less cotton cloth (1.3% in terms of square yards) was produced in 1954, but with 18% fewer active spindles and 19% fewer active looms. Other examples—new highspeed cards and spindles reduced requirements for card tenders by 25% and spinners by 30%. Some newly modernized mills report reductions of 25% in unskilled jobs over the past five years."

The *Daily News Record* for this past Monday, October 16, 1967, headlines "Business Is Good And Getting Better".

The news story declares that "The lid is off the economy. Business is good and getting better. Both optimism and buoyancy are sweeping the apparel, textile, and fiber communities. And confidence is rife that output, sales, and profits will climb to unprecedented highs.

"This is the posture of the economy today and its prospects for the next two fiscal quarters, as discovered by a recent DNR sounding."

Aside from "only one depressant", "increasing imports", the news feature claims that "Otherwise, domestic textile affluence is returning, according to executives polled at sensitive points in the industry. This optimism makes a clean fit with authoritative projections of seven to ten percent minimum increase in disposable dollars next year.

"One sportswear manufacturer reports spring bookings are up 59 percent. A top DuPont executive reports all fiber sales are at near-records. Celanese and other fiber producers match the optimism.

"Throughout the industry, executives report price structures are firm, and even the upcoming wage increases are not enough to phase the general good feeling in the economy."

The news story then quotes 19 textile executives, representing all sectors of the complex. All emphasize optimism for the immediate future, with only four even mentioning imports as a possible problem.

Textile Imports Decline

Over the years, particularly in the last decade, various data suggest that there is close relationship between the quantity of domestic production and the quantity of imports that are entered into the United States market.

Thus, for the six-year period 1961–1966 (which is prescribed in the so-called Hollings' Bill as the base period for determining average annual quotas), the records show clearly that as domestic consumption of textiles increased to meet rising consumer demand and Viet Nam military requirements, imports also increased to supplement and complement American production.

For purposes of illustration, we shall note only the 1961 and 1966 data at this time. In 1961, domestic consumption of cotton textiles amounted to 4,031.2 million pounds, while imports totalled 188.9 million pounds; domestic manmade fiber textile consumption equalled 1,997.8 million pounds, while imports totalled 23.5 million pounds; and domestic consumption of wool textiles was 535.0 million pounds. In 1966, domestic consumption of cotton textiles had increased to 4,938.8 million pounds, and manmade fiber textiles to 3,968.4 million pounds, while wool textiles had decreased slightly to 500.5 million pounds. Cotton textile imports had increased to 495.9 million pounds, manmade fiber textiles to 117.6 million pounds, and wool textiles to 142.9 million pounds.

This year, 1967, as domestic textile production levelled off slightly, as reported in previous sections of this statement, available data indicate that textile imports are also decreasing. As noted earlier, because of the six-months time lag for overseas orders to be entered into this country, import trends tend to be reflected more in the second-half figures than those for the January–June period of any year. This phenomenon is particularly evident this year, following several years of unprecedented production and profitability of the domestic textile industry.

The latest 1967 information from the Office of Textiles, Trade Analysis Divison, Business and Defense Services Administration, Department of Commerce, reveals that, on a cumulative basis, for the January–August period, all textile imports have decreased from a similar period last year, from 1,856.4 million square yards in 1966 to 1,768.2 million square yards in 1967.

On a fiber basis, only manmades showed an increase, and then only in yarns and apparels.

Cotton textiles dropped in this comparable January–August eight-month period from 1,205.0 million square yards in 1966 to 1,035.8 million square yards, and wool textiles from 123.5 million square yards in 1966 to 97.1 million square yards in 1967. Manmade fiber textiles, on the other hand, increased from 527.9 million square yards to 635.3 square yards, but of this increase yarns alone accounted for a jump from 108,997 million square yards in 1966 to 180,552 million square yards in 1967. Fabrics, for instance, declined from 225,614 million square yards in 1966 to 181,555 square yards in 1967.

Cancel Cotton Textile Quotas

Because economic prospects for the future of the American textile complex as a whole—cotton, manmades, and wool—appear to be so promising, and because the experience with cotton quota controls has been so disappointing, we join with Congressman Curtis in urging, as he did on August 29 last year (1966), (a) that "the wool and manmade fiber industries reconsider any position in favor of extending the LTA-type (Long-Term International Cotton Textile Arrangement, together with its many bilateral agreements) quotas to imports competing with their products", and (b) that "The LTA be phased out in the shortest possible time according to a schedule which would gradually permit more imports of the restrained categories to enter the U.S. economy . . .

"No one benefits from the LTA: not the U.S. economy at large, not workers, factory owners, landlords, bankers, and certainly not the consumers, who are required to pay a higher price for all cotton textile purchases, whether at Lord & Taylor or Sears & Roebuck, not taxpayers who must finance the foreign aid programs in lieu of trade. The LTA is a violation of sound trade principle, and it is a dangerous irritant to our relationships with the emerging nations. It should be eliminated as an instrument of U.S. trade policy, and the cotton textile industry should be guided into a condition of true international competitiveness."

In discussing "A Question of National Policy" in this same speech, Congressman Curtis emphasized that "We all must consider at what levels the Nation should be expected to provide an economic differential in the form of tariffs and quotas between United States and foreign production of any particular item. I pointed out above (earlier in his speech) the substantial tariff protection al-

ready afforded the U.S. cotton textile industry, which is itself in effect a subsidy when it goes beyond the point of measuring economic differentials that result from economic actions taken on social and political rather than economic grounds.

"Quotas are an added and much more regressive element of subsidy, increasing the extent to which cotton textiles are favored above all other manufacturing industries. In terms of the national interest, it would be better to phase out the long term arrangement's quotas and progressively restructure tariffs to reflect differences between U.S. and foreign costs of production that we decide should be measured, particularly low-wage costs that reflect in comparable productivity levels . . ."

Earlier, Congressman Curtis expressed his "concern that the textile industry's burgeoning investment in new plant and equipment in the United States could become excess capacity and the cause of future unemployment. Our national policy should not encourage industry to erect a very large capital investment structure on an economic base that is weak and uncompetitive in parts.

"I have cited the short term arrangement and the long term arrangement regarding trade in cotton textiles to show that they were intended to be temporary, to provide a breathing spell for the United States and other advanced nations' industries to adapt to the realities of world trade and economic life and gradually to adjust to an increase in imported textiles. The objective is that the U.S. cotton textile industry can eventually hold its own in international markets without differentials other than existing tariff levels. I have also suggested that the industry approach international trade and economic life with a new attitude—that it adopt an attitude of aggressive internationalism rather than choose a policy of economic isolationism."

We applaud Congressman Curtis for the courage and the statesmanship he has shown in this matter of textile import quotas. We believe him to be fundamentally sound and correct in his assessment of the present textile situation in this country, and respectfully commend his recommendations to this Committee for its consideration.

In subsequent sections, we hope to corroborate Congressman Curtis' views with our comments regarding the Japanese experience with the so-called voluntary cotton textile quota, which was expanded into the Short-Term and later into the Long-Term International Cotton Textile Arrangements, as well as the supplementary United States-Japan Bilateral Cotton Textile Agreements.

Manmade and Wool Textile Quotas Not Needed

While we sincerely urge the abolition of the LTA and its supplementary bilateral agreements, we recognize the political realities that these international cotton textile controls are in effect, and that they will be extended beyond their October 1, 1967, expiration date.

Indeed, on April 3, 1967, the Interagency Textile Administrative Committee of the Department of Commerce, charged with the administration on behalf of the United States of the LTA and its various bilateral agreements, announced that it had been agreed by the major exporting and importing countries in Geneva that the multilateral arrangements, "substantially the same with only minor modifications", would be extended for another three years, to 1970.

For all practical purposes, then, the subject matter of these hearings, insofar as textiles are concerned, is whether import quotas should be expended to include manmade fiber and wool textiles. The major textile imports, those of cotton, are already under rigid controls under the LTA, so they do not constitute part of the alleged imports problem to be considered by the Committee.

We have previously cited production and import statistics.

For manmade fiber textiles, when imports reached their record high last year, the total of these imports constituted only about three percent of the American production of manmade fiber textiles.

And, according to the *Textile Organon* for September 1967, United States exports of manmade fibers and manufactures thereof increased in 1966 over 1965. Moreover, if the first-half totals for 1967 are doubled for the full year projection, exports this year should be even higher than they were for the record 1966 year.

Exports of manmade fibers, both cellulosics and non-cellulosics, totalled 173,563,000 pounds in 1965 and 195,272,000 pounds in 1966, with the January-June 1967 total being 26,714,000 pounds.

Exports of manmade fiber broad woven fabrics in 1965 accounted for 149,027,000 square yards and in 1966 for 156,701,000 square yards with January–June 1967 accounting for 82,290,000 square yards.

Exports of outerwear and underwear amounted to 6,130,000 pounds in 1965 and to 6,260,000 pounds in 1966, with the first six months of 1967 amounting to 3,443,000 pounds.

The grand totals for American exports of manmade fibers and manmade fiber textiles, in dollars, were $329,665,000 in 1965, $340,118,000 in 1966, and $170,578,000 for the January-June 1967 period.

Surely, a dynamic growth industry like the manmade fiber textile industry does not require such a restrictive non-tariff device as import quotas, especially when the tariff rates on these particular imports are so high and protective as they are.

The case against import quotas for wool textiles is not quite so apparent as that for manmade fiber textiles, but the same general factors are present in the main.

The domestic wool textile industry, as is the overall textile complex, is enjoying relative prosperity, with great hopes for the immediate future. It is moving into mixes and blends, with manmade fibers. Its protective tariffs are among the highest for all manufacturing in this country. Its imports are generally not competitive, and often are needed to satisfy domestic demand.

And, monthly 1967 imports are down from comparable 1966 data. On the cumulative basis, for the eight-months January-August period, 1966 imports totalled 123.5 million square yards, and 1967 imports totalled 97.1 million square yards, a drop of 26.4 million square yards.

As with manmade fiber textiles, there is no urgent justification for import quotas on wool textiles.

Japanese Manmade and Wool Imports

Since Japan is, and has been, a major supplier of the United States textile market, it may be interesting to note certain facts regarding these particular imports.

Following the trend of United States production and of all textile imports, American imports of Japanese manmade fiber textiles increased in 1966, compared to 1965, but first-half 1967 data indicates a downward trend. The same may be reported for wool textiles.

In calendar year 1966, manmade fiber textile imports from Japan amounted to 444,985,579 square yards, up from 301,042,388 square yards in 1965. This is an increase of 143,943,191 square yards. In this same period, wool textile imports from Japan accounted for 58,343,251 square yards in 1966 and for 55,131,198 square yards in 1965, an increase of 3,212,053 square yards.

Manmade fiber textile imports from Japan for the first six months of 1966, on the other hand, were 187,977,033 square yards, as contrasted to 206,654,940 square yards in the January-June 1965 period, a drop of 18,677,907 square yards. Wool textile imports, also from Japan, showed a loss of 3,854,167 square yards when comparing first-half 1966 and 1965 totals of 26,492,419 square yards and of 30,346,586 square yards, respectively.

Since we understand that the Wool Products Group of the American Importers Association is to explain the special position of Japanese wool textiles in the United States market, in order to avoid repetition, we shall not comment on those imports at this time. Suffice it to say that Japanese wool textile imports provide a unique contribution to the United States and, in the main, are not competitive with American production.

As far as manmade fiber textiles are concerned, the deceptively sharp increase in Japanese imports in 1965 and 1966 may be attributed to the sudden popularity of the so-called durable or permanent press. Japanese imports helped supply the American market at a time when the domestic industry was unable to do so. Thus, as in 1965, when the operation rate for United States manmade fiber fabric production for durable press was 90% or more, with less than a month of inventories available, Japanese exports of polyester-cotton fabrics rose rapidly to fill the shortage, reaching its peak in 1966. Then, in 1967, as more American mill capacity was devoted to this special construction, Japanese exports of this same polyester-cotton cloth dropped 85% on an annual basis.

Actually, the record quantity of 1966 imports from Japan, though percentagewise most deceiving because of the very low starting point, totalled less than half the annual increase in United States production of approximately 480 million square yards.

Except for providing a supplementary supply to fill such shortages as that created by the durable press "revolution", it may be said that most of Japan's manmade fiber export items do not compete with United States production.

These include such Japanese items as (a) fine crepe of 50 denier or finer rayon filament (crepe de chine), (b) plain lining cloth of 75 denier or finer rayon filaments (taffeta, habutae, organdy, etc.), (c) hand-printed, multicolor fabrics, (d) yarn-dyed fabrics, (e) jersey made of polyester filament fabrics, (f) crepe of 50 denier or finer non-cellulosic filament, and (g) polyester-rayon fabrics. This last item was developed in Japan and is rarely produced in the United States.

It should also be observed that rayon yarns and fabrics of 70 denier or finer are not produced in the United States. Yarn dyed fabric is also unique to Japan, since traditional Japanese techniques can be utilized to advantage. In this country, roller prints or machine prints are produced, while hand-printed textiles are exported by Japan.

In general, it should be kept in mind that most Japanese manmade fiber textiles exported to the United States are the outgrowth of historic Japanese techniques and production systems which are not suited to the high-efficiency, mass-producion facilities in this country. Whatever American production there may be is in such small volumes as to be almost meaningless.

There is another aspect of manmade fiber fabric imports from Japan that cannot be ignored. That is that much of the Japanese cloth is imported in the greige state, and further processed in the United States.

Among the non-cellulosics imported from Japan, 82% of the filament fabrics and about 50% of the spun yarn fabrics are entered in the greige and processed in this country. Much of this is re-exported to Latin America, even though the import statistics apparently do not reflect this type of transaction.

Though obvious enough, we stress that such imports as these, which supplement shortages and/or are further processed in this country, do provide employment for American workers and contribute to the profit of many American companies.

A final note regarding manmade fiber textile exports from Japan. There seems to be the notion that the United States is the major market for Japanese manmade fiber textiles. In 1966, when Japanese exports hit their all-time high, American imports represented only 16.4% of the total of Japanese worldwide exports. This year, with the slump in their American exports, this percentage will be even less.

Kennedy Round Reductions On Textiles

On May 17, 1967, then Acting Secretary of Commerce Alexander Trowbridge summarized the consequences of the so-called Kennedy Round of tariff negotiations for American textiles in this single paragraph:

"With respect to textiles, we achieved the very important goal of a three year extension of the Long-Term Arrangement on Cotton textiles. Because of the sensitivity of textiles in general here and abroad, the cuts made by the U.S. and other major importing countries average less than 25 percent and much less than that for the more sensitive product areas such as woolen and manmade textiles. Many textile items were excluded altogether."

As a matter of fact, most importing nations reduced tariffs on cotton, manmade, and wool textiles less than their average reduction in other industrial products as a whole. The United States agreed to tariff reductions which, on a weighted trade basis, averaged approximately 14% for the three fibers. Cotton textiles were reduced 21%, manmade fiber textiles 15%, and wool textiles 2%.

Since these reductions are to be promulgated over a five-year period, there will be no truly meaningful tariff reductions on textile rates, the cries of the domestic industry notwithstanding. United States tariffs on textiles in general, and on manmade and wool textiles in particular, remain among the highest for all manufacturing industries, even after the reductions authorized in the Kennedy Round are fully implemented.

Imports Injury Relief

If the United States textile industry, or any segment thereof, has evidence that increased imports have caused, or threaten, serious injury to the domestic sector, the Congress has provided a recourse to the quasi-judicial Tariff Commission.

We are aware that the domestic industry excuses its failure to petition the Tariff Commission for escape clause relief on the grounds that its claims will be ignored and no import relief granted.

Accordingly, it is significant to emphasize that in the last two instances, which we can recall, when a segment of the domestic textile industry petitioned the

Tariff Commission for higher duties, it was so successful that the pre-concession tariff rates on cotton typewriter ribbon cloth and Wilton and velvet carpets and rugs were continued for the full five years authorized by law, that was until October 11, 1967.

And, in the case of Wilton and velvet woven carpets, the President extended the escape-clause 40% ad valorem duty until January 1, 1970, instead of permitting the higher rates to be automatically terminated and returned to its concession 21% ad valorem rate.

Thus, it would seem that if the domestic textile industry can produce evidence of the adverse impact of imports, it can secure import relief from the Tariff Commission. The fact that it refuses to seek this recourse at this time suggests that it hopes for a political, and not an economic, resolution of their alleged import problems.

As for the workers who have not fared too well under the existing criteria to qualify for adjustment assistance under the Trade Expansion Act of 1962, newspaper reports indicate that the Administration in due course may introduce legislation to liberalize the qualifications for such help. And, according to other newspaper accounts, even individual companies and plants that suffer adversely from import competition, may be authorized under Administration proposals tax refunds and write-offs. (*Daily News Record*, October 17, 1967).

So, it appears apparent that the domestic textile industry should endorse and support such Administration legislation that would extend to he smaller and marginal companies and plants, and their workers, various types of "adjustment assistance", for the many giants in the industry truly do not need or require import quota protection.

THE JAPANESE EXPERIENCE WITH COTTON QUOTAS

Since the Japanese imposed "voluntary" export quotas on their cotton textiles destined for the United States first in 1956, and since the Japanese cotton textile industry has experienced the successive steps that led to the Short-Term and Long-Term International Cotton Textile Arrangements, as well as the United States-Japan Bilateral Cotton Textile Agreements, their experience with cotton textile quotas should prove instructive.

But, perhaps a few preliminary comments regarding the Japanese cotton textile industry may be helpful.

Preliminary Comments

Probably no Japanese industry has a longer record of relationship with the United States than its cotton textile complex. Its first purchases of raw cotton date back to the immediate post-Civil War era. And, its first shipment of cotton textiles to this country took place in 1887.

In 1964, the Council on Foreign Relations published an analysis of *Japan and the United States in World Trade*, by economist Warren Hunsberger. In the chapter entitled "Cotton Textiles in Japanese-American Relations", Dr. Hunsberger observes that ". . . in addition to restrictions, there are purely economic factors that limit the size of the (cotton textile) trade. It seems unlikely that, even without barriers, Japanese cotton textiles could ever dominae the American market. Distance, the long lead time between placing an order in Japan and delivery of finished products in the United States, established commercial relations, the vagaries of fashion, and many special factors constitute economic obstacles to large-scale imports of a number of cotton products. A prominent factor is cost.

"Cost may be less favorable to Japan than is sometimes thought. As indicated in Chapter 6, Japan has a number of serious disadvantages in producing for export. Capital is more expensive in Japan than in the United States. Fuel and energy cost substantially more, flat land is at a great premium, and industrial water is becoming scarce in some parts of the country. Technology at times costs more. Japan's competitive advantage in the manufacture of cotton goods lies mainly in lower wages, modern facilities, excellent management, and the special competence some Japanese firms have developed in mixing different grades of raw cotton and in producing constructions of particular merit or unique qualities. Only where these advantages outweigh the disadvantages can Japanese cotton goods undersell American domestic products."

While too many American producers think that these cost advantages favor the Japanese for all cotton textile items, Dr. Hunsberger illustrates that this is far from true by identiying a number of cotton cloth constructions where Japanese fabrics, after the payment of ocean freight and insurance, plus entry charges and

tariffs, would have to sell for more than the mill price of similar American fabrics.

Dr. Hunsberger concludes that "It is unlikely that Japanese cotton products could sweep aside all American competitoin, even if there were no import duties or quotas and if time were allowed in which to increase Japan's productive capacity."

"Voluntary" Export Quotas

Congressman Curtis, in his August 29, 1966, speech, suggests that the Japanese export quotas were the first step toward a comprehensive quota system on the part of the United States.

In any event, the Japanese imposed export quotas on several types of cotton textile exports in 1956. A year later, the Japanese agreed to impose much more extensive export quotas, covering a wide range of cotton textiles. "Though termed 'voluntary'," Congressman Curtis explains, "it is well known that the quotas were the result of U.S.-Japan negotiation at official levels, and considerable pressure by the U.S. A State Department officer very close to the negotiations has said that 1956 election year politics was the root cause of the U.S. desire to obtain Japanese export controls. Rather than appear to abandon its traditional non-discriminatory trade policy, the Eisenhower Administration chose to quell political pressure through the 'voluntary' approach. Negotiations of such quotas were undertaken between governments, rather than between Japanese and U.S. industry, because of U.S. anti-trust law."

At American industry insistence, the 1957 Japanese "voluntary" quotas included a provision against "market disruption" in the United States; divided the control program into five major groups, each with their own ceilings and with various categories, also with their own limitations; and required consultations before there could be increases or decreases of both the overall ceilings and the group and category quotas. The agreement was to last for five years.

Consultations toward the end of the first year resulted in no change at all, but a 5.2% increase was allowed in 1959. Virtually the same quota levels were then maintained for the remaining years of the program.

According to then Assistant Secretary of Commerce Hickman Price in congressional testimony, the five-year "voluntary" program was "fully honored by the Japanese Government".

United States imports of cotton textiles from Japan dropped from $84.1 million in 1956 to $69.4 million in 1961. Japan's share of the American import market for cotton textiles dropped from 76.2% to 18.8%.

Because of the arbitrary and artificial restraints placed upon various textiles and categories and groups of such textiles, Japan was never able to fill all of her quotas in any year. In cotton fabrics, for example, in 1957, Japan was able to fill only 75.4% of her quota, and in 1960 only 84%. Even in made-up goods, Japan was unable to fill her quota. In 1959, only 95.7% and in 1960, 91.5%.

Within categories too, there were sharp fluctuations. In 1957 floor coverings accounted for 95.4% of the maximum allowed; in 1960, they were down to 33.9%. A seemingly staple item like handkerchiefs filled 99.1% of its quota one year and three years later filled only 86%.

Even though Japanese suppliers could be stopped by their own government from selling cotton textiles to the United States, there was nothing to stop American buyers from searching for other sources, in many cases helping to build up export industries that never existed before in many less developed countries where wages were even lower than they were in Japan.

As a matter of fact, one might well suspect that if the American producers had not forced "voluntary quotas" on the Japanese, there would not be today so many countries exporting cotton and other textiles to the United States, and the total of textile imports would not be nearly as large as it is. One reason for the latter is that countries "restrained" in their cotton textiles shifted into man-made fiber and mixes and blends. Indeed, there are those who feel that the short-range thinking of the American cotton textile industry in the mid-fifties might well have created what is a veritable Frankenstein import monster to the industry today.

Short-Term And Long-Term Arrangements

When the Japanese industry first agreed to a limited "voluntary" program, it did so with the understanding that the American industry would be placated.

But, instead of being praised for accepting such quotas, the Japanese were charged with all manner of trade practices and were forced to negotiate a more

comprehensive "voluntary" arrangement. Even this unprecedented surrender in international commerce failed to satisfy the United States industry. Now, the industry wanted an international cotton quota system.

In redeeming his pledge to the domestic textile industry for its support in the presidential election of 1960, the late President Kennedy issued his now famous Seven Point Textile Program of May 1961. Pursuant to Point Six of that program, the State Department convened in June a meeting of representatives of seven countries experiencing cotton textile competition. These participants then joined with the United States in requesting the Secretariat of the General Agreement on Tariffs and Trade (GATT) to convene a meeting of major cotton textile exporting and importing countries. In mid-July, 16 nations met in Geneva under GATT auspices and drafted the Short-term International Cotton Textile Arrangement (STA) as an interim control measure.

Congressman Curtis recalls that "In the negotiations leading to the STA, the exporting countries were given a clear choice: accept a multilateral textile trade scheme or have their cotton textile exports limited unilaterally by the importing nations. Presented with such a choice, but with clear assurances both in the text of the Arrangement and in informal understandings that the STA was to be liberally administered, the exporting countries accept this concept."

The STA came into force October 1, 1961, and the LTA a year later, on October 1, 1962.

When the LTA was negotiated, it was understood to be a temporary expedient; it was not to be a precedent for restraint actions against other textiles; it was to provide an increase in cotton textile imports of roughly 5% each LTA year; it was to be used to help open up markets in certain European countries.

At the same time, it was understood to allow participating importing countries to request exporting nations to restrain exports of cotton textiles which "cause or threaten to cause disruption in domestic market" in any one of 64 categories enumerated in Appendix B of the STA at levels not lower than the imports for such goods for the year ending June 30, 1961, and permitting the importing country to impose unilaterally its own restraints failing agreement by the exporting party within 30 days; it was agreed that the participants would take action to prevent circumvention of the LTA by non-signatories; by trans-shipment through third countries; or by substitution of directly competitive textiles.

Among the original signatories, there were 12 so-called developed importing countries in Group I, seven so-called developing exporting countries in Group II, and one country (Japan) in Group III, for so-called developed exporting country. Subsequently, at least three more countries have acceded to the LTA in Group I and at least nine in Group II.

The United States is the only importing country to have continued to use the list of 64 categories for "restraint" purposes, and Japan is the only exporting nation that is apparently subject to all 64 categories.

Although "market disruption" is defined in a general way in Annex C, the United States has invoked "restraints" unilaterally and without explaining or proving any of the criteria that cause "market disruption" at its own discretion and without consultation.

Under Article 4 of the LTA, the United States has negotiated Bilateral Agreements with most of the nations that export to this country, with Japan being the Number One target for negotiating a bilateral agreement.

United States-Japan Bilateral Agreement

On August 27, 1963, the United States-Japan Bilateral Cotton Textile Agreement came into force. Its purpose was "to provide for the orderly development of trade in cotton textiles between Japan and the United States".

It provided for an aggregate limit for 1963 of 287.5 million square yards, divided into four major groups, as follows:

Group I—Cotton Cloth (categories 5 through 27)—125.5 million square yards.

Group II—Made-up Goods, usually included in U.S. cotton broad woven goods production (Categories 28 through 36, and part of Category 64)—41 million square yards.

Group III—Apparel (Categories 39 through 62, and part of Category 63)—111 million square yards.

Group IV—Miscellaneous cotton textiles (Categories 1 through 4, 37, 38, and part of Categories 63 and 64)—10 million square yards.

A three percent increase for 1964 over 1963 was provided, with five percent increases annually thereafter for the life of the agreement (December 31, 1967). Conversion tables are agreed to, as well as consultations over any questions in the implementation of the agreement, including "excessive concentration" of any Japanese exports, and cooperation in providing statistical data.

In spite of Japan's unfavorable experience with the five-year "voluntary" quota program, when it was unable to supply the full quota for most of the major groups and categories year after year, the latest Bilateral Agreement increased the individual itemization of the various categories to 64.

And, as with its "voluntary" program, not once in the four past years of the Bilateral Agreement has Japan been able to reach the established total annual limitations. In 1963, only about 90% of the totals were exported. In 1964, it increased to about 93%. And in 1965 and 1966, exports reached about 98% of the maximum allowed.

For Group I, Japanese exports varied from about 90% to about 100%; for Group II, from about 91% to about 97%; for Group III, from about 94% to about 100%; and for Group IV, from about 60% to about 78%.

When it is considered that the American industry arranged these categories and groups, with their respective quotas, on the basis of anticipated sales in this country, and when it is considered that Japan would want to fill every quota to its ceiling, one can only attribute Japan's failure to fulfill every quota limit to the vagaries of the trade and the vicissitudes of the industry.

Incidentally, since the "voluntary" program, as well as the STA and the LTA, and also the Bilateral Agreement, are in actuality and in operation export quota programs, and not import quota projects, the major burden of supervising and administering them has been largely up to the joint activities of the Japan Cotton Textile Exporters' Association and The Japan Textile Products Exports' Association, two quasi-official export trading associations sanctioned by Japanese law, and the Government Ministry of International Trade and Industry.

The Case Against Export Quotas

Dr. Hunsberger summarizes the case against the export quotas "imposed" upon Japan under five general objections.

1. Their imposition conflicts with the United States aim to reduce the barriers to international trade. While the Japanese were "penalizing their own trade, so to speak", the American pressures leading to Japanese action violated the spirit of GATT and "created measures that are economically as objectionable as import quotas".

2. The export quotas were worked out behind the scenes, "without any legal process". No official investigations or public hearings were heard, nor were any of the usual orderly procedures of internal and international law utilized. Japan was not given "concessions" as are authorized by GATT when certain trade benefits were withdrawn by the United States.

3. The implicit discrimination against Japan is obvious in the pressures for a "voluntary" quota and subsequent arrangements and agreements. No similar pressures were used against Europeans, for example, for sharp increases in competitive imports. And, no LTA "restraints" have been imposed against any of the European Economic Community (EEC) nations, even though one of the countries may export without "restraint" the same cotton textile product, such as cotton typewriter ribbon cloth. In the beginning, only Japanese goods were placed under quota, while Americans continued to import from other Asian and then European countries. Was it fair to Japan when late arrivals were permitted to increase their share of the United States market, while Japan was being "penalized" for its cooperation?

4. By their tendency toward rigidity, the healthy expansion of production and trade, especially for a country like Japan, is also "restrained", because the groups and categories of the quota program restrict the exports that may be shipped to the United States in the way of cotton textiles.

5. Some of the secondary effects in Japan are not salutary. For instance, the image that the United States is unwilling to buy Japanese goods, while calling for the sale of American merchandise to Japan, is confirmed. Another example is that the insistence on export quotas has "worked to strengthen both the cartel organization of the cotton textile industry in Japan and government control over this and other industries . . . By its pressure for export quotas, the United States, which imposed anti-monopoly legislation in Japan during the Occupation, has been strengthening the forces that resist change and inhibit the liberalization of economic life in Japan."

IMPORT QUOTAS HARMFUL TO U.S. INTERESTS

We respectfully submit that unilateral imposition of quantitative import quotas on any, or many, or all, foreign products as a matter of principle and practice is repugnant to the concept of freer trade and commerce between nations; contradicts the latest congressional expression on the subject, that of reducing tariffs and nontariff barriers as enunciated in the Trade Expansion Act of 1962; wrecks four years of Kennedy Round negotiations; reverses the 33-year-old policy of this country which helped bring about unprecedented prosperity, economic growth, and international cooperation; deprives our citizens of the economic benefits of mutually advantageous foreign trade and commerce; and threatens to plunge our country into a massive and destructive trade war.

While what we have to say applies generally to all quota legislation, since we are directing our comments in this statement specifically against textile quota bills, such as that proposed by Senator Hollings, we shall try to demonstrate that these textile quota restrictions, if enacted, will be inimical to the best interests of our nation.

A few of the many ways, which occur to us at the moment, in which these textile imports quota bills, if they become law, may be detrimental to the national well-being include the following, though not necessarily in the order in which they are listed:

1. In a trade war, in which other countries may "retaliate" by excluding or restricting American exports, the United States may well be the net loser in dollars and cents, not to mention other implications. As the world's largest exporter, we can ill afford to alienate our best customers, particularly at a time when our balance of payments situation is so critical.

According to recent newspaper reports, the member nations of the European Economic Community (EEC), of the European Free Trade Association (EFTA), and of the Latin American bloc have all expressed their formal "displeasure" with the current massive protectionist effort to erect the most formidable trade obstacle possible, quantitative import quotas. So too have the Ambassadors of many nations, including Australia and Japan.

According to a news story in the *Washington Post*, October 18, 1967, Ambassador William Roth, the Special Representative for Trade Negotiations, estimated that the many import quota bills being considered by the Committee at this time would cover about $10 billion of the $25 billion involved in annual United States imports.

We cannot and do not, of course, pretend to speak for the Japanese Government or the Japanese textile industry.

But, we cannot overlook the fact that in the past decade, 1957 to 1966, the net trade balance between the United States and Japan, except for three years, favored the United States. Our favorable trade balance over the past ten years with Japan alone was almost a billion dollars.

A look at the record reveals that the annual two-way trade between Japan and the United States steadily increases every year, and last year totalled more than five billion dollars.

In 1966, American imports of all Japanese textiles, including apparels, amounted to $410,297,000. In 1966, Japanese purchases of agricultural products along from the United States amount to almost a billion dollars, or $962,417,000.

Farm products, such as those purchased by Japan, are available in other export markets, more often than not at cheaper prices than available here. Still, partly because the American import market is generally available to the Japanese, they continue to buy our goods with the dollars earned by American purchases of such Japanese merchandise as textiles.

Last year, Japan purchased 928,400 bales of American raw cotton, valued at $110,200,000. From other countries (Mexico, Nicaragua, El Salvador, Guatemala, India, Brazil, U.S.S.R., Mainland China, and others), Japan purchased 2,316,500 bales, valued at $303,600,000.

Last year also, Japan purchased from the United States $207,514,000 in soybeans, $138,185,000 in wheat, $122,392,000 in corn, $26,739,000 in feed grains, $41,865,000 in tobacco, etc. All of these agricultural products are readily available to the Japanese in alternate markets.

The possibilities of what might happen to American farmers and exporters if the Japanese decided to reduce or eliminate their annual purchases of these agricultural products is a fact of economic life that must be considered when the consequences of a textile imports quota statute are studied.

2. When import quotas restrict the quantity and variety of available textiles, the American consumer suffers in many ways.

In a period of threatening inflation, imports help to keep the price of competitive domestic items down. With few or no imports, a monopoly situation is created and the only damper on prices is the conscience of the producers.

Imports also offer the prospective buyer the opportunity to select and choose not only among competitive domestic goods but also foreign merchandise.

American industry cannot, or will not, produce certain products, such as lightweight habutae silk. If such imports are proscribed by import quotas, the American consumer is denied the opportunity to purchase such noncompetitive goods.

Customer services too become competitive when the normal processes of supply and demand are permitted to operate in an open and free marketplace.

3. Import quotas, by assuring a guaranteed market to the domestic industry, allows the American textile complex to become complacent, less imaginative, less efficient, less productive, less aware of consumer wants and services, etc.

The classic recent example, perhaps, of what can happen to American industry, even when there were no quantitative import restrictions involved, is the compact automobile.

Then again, often imports, as the Tariff Commission found in the case of imported light-weight Japanese gloves some years ago, open up a completely new market, which provides domestic makers with the opportunity to also produce and sell new products to previously unknown buyers.

Even when textile imports are being admitted into the United States, the Japanese textile and apparel industry is spending more for research and development, percentagewise, than is its American counterpart. In the Brookings Institution publication entitled *Technology, Economic Growth, and Public Policy* (1967) by economists Richard Nelson, Merton Peck, and Edward Kalacheck, there is a table showing the "Percentage Distribution of Industry R&D Expenditures in Various Countries, 1959". This tabulation shows that in "Textiles and Apparel", Japan spends 4.1% and the United States 0.2% for research and development purposes, Sweden spends 2.4%, Canada 1.6%, and the United Kingdom 0.8%, according to this tabulation.

To better compete for overseas markets, the Japanese industry developed the so-called CAS (continuous automated spinning) system, for instance. Developed jointly by the Toyo Spinning Company and Howa Machinery, Ltd., the CAS system is now in operation in Japan. Compared to the conventional spinning system, over-all reductions in labor of 70 to 75% is achieved. In the BCD (blowing-carding-drawing) process, operator savings are as high as 80%.

We are not claiming that the Japanese textile industry necessarily is more efficient and productive than is the American industry. What we are trying to say is that import quotas take away some of the incentive for too many producers, permit them to continue operations on obsolete and inefficient equipment, tolerate unproductive and apathetic management, reduce services to consumers, etc.

4. Restrictive import quotas may also encourage the American industry to build excess capacity and to overexpand in times of temporary shortages and huge demand, which may subsequently in more normal times bring about mill and plant closings, with its resultant unemployment.

This is not a wild speculation, but a real fear, which Congressman Curtis documents in his comments to the House of Representatives on August 29, 1966, regarding the dangers of continuing the LTA for cotton textiles.

5. In times of special circumstances and emergency, such as the current Viet Nam war, import quotas may delay or jeopardize the production of military textiles.

About a year ago, the Defense Department was meeting with difficulty in placing orders for certain types of military textiles. In fact, in fiscal 1966, the Defense Department had to place 200 "rated" or "required for military use" orders for uniforms and other military textiles, all of which were filled voluntarily except for 18. Mandatory orders were then issued by the Business and Defense Services Administration of the Department of Commerce to compel their manufacture and delivery.

We do not contend that the LTA caused any shortages in the needed supply of cotton textiles. We do know, however, that when certain types of cotton yarns were in short supply, special waivers of the LTA restraints had to be granted several countries before they could ship to the United States these particular yarns. We also know that certain constructions of cotton ducks and other heavy fabrics needed for military use were in short supply only a year ago.

This recent experience suggests that under such unique conditions as those which are created by limited emergencies such as the crisis in Southeast Asia, imported textiles should be welcomed, and not restricted, in the American market.

If these imports can be utilized by the military, they will probably cost the taxpayer less than would comparable United States items. If only American producers can manufacture what the military requires, then United States mills and plants should be able to shift to such purposes without having to worry about meeting civilian demand. Imports can supply whatever civilian shortages exist.

6. Import quotas are too inflexible and rigid to meet quick fashion changes and unexpected developments, including shortages, of the American textile industry.

A look at Japan's exports of polyester-cotton fabrics as recently as last year, when durable or permanent press developed into a real fad, and then into probably the most exciting new development in textiles in recent years, illustrates this aspect.

Had there been an import quota on manmade fiber textiles, on a category by category basis, Japan probably would have been unable to ship in the needed polyester-cotton cloth. Then, American cutters, fabricators, producers, and workers would have suffered.

Or, the durable press development itself might have been killed prematurely before its popularity could be established, for lack of needed imported manmade fiber fabric to manufacture the slacks, the shirts, and the sportswear, etc., in the fact of domestic inability to meet the quick, tremendous demand.

Since that emergency situation, the United States industry has geared itself for the needed production of this specialized cloth and Japanese imports, accordingly, have declined immeasurably.

7. Import quotas on textiles would require the building of a huge administrative agency to enforce and police the imports. Such a bureaucracy would rerequire additional federal expenditures at a time when the effort is to reduce government costs.

The LTA cannot be considered as an example of what may take place, for the LTA is an export quota, administered an supervised by the exporting country.

What is under consideration at this time are import quotas, which must be administered, regulated, and policed solely by the United States Government. Such an agency, commission, bureau, division, office, etc., would have to be staffed by civil service personnel and funded by the national treasury. At every port of entry, several hundred different items would have to be checked as to fiber content, or chief value or chief weight in case of mixes and blends, as to category and group, as to imports already entered, country of origin, possible transshipment, etc. And the cooperation of the exporting country would not necessarily be available.

8. The threat of such import quotas on wool and manmade fiber textiles may well cause the signatories to the LTA to denounce and withdraw from that international arrangement controlling cotton textiles.

When the LTA was negotiated and accepted at American insistence, it was clearly understood at that time that it was not to be considered as a precedent for other multilateral arrangements to control wool and manmade fiber textiles.

Article I of the LTA is clear on this point: "In order to assist in the solution of the problems referred to in the Preamble of this Arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international cooperation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles . . . They also recognize that, since these measures are intended to deal with the special problems in cotton textiles, they are not to be considered as lending themselves to application in other fields."

While the enactment by Congress of import quotas on wool and manmade fiber textiles technically may not be a violation of the LTA because it is unilateral action, the spirit of the LTA certainly is violated. And its signatories may then denounce and withdraw from this control arrangement on the exportation of cotton textiles to the United States.

Such action will add to the administrative difficulties of enforcing an overall comprehensive import quota on all textiles, regardless of fiber, through all stages of manufacture.

9. Import quotas would disrupt normal trade channels and relationships developed over the years.

Importers, wholesalers, retailers, etc., would all have to change their thinking, their planning, their projections, their ordering, their advertising, their relationships with domestic producers, their consumer relations, etc.

Dependence on domestic sources of supply would increase, with many wholesalers and retailers surviving at the whim of the local spinner, weaver, cutter, fabricator, etc.

10. Import quotas would encourage cartelization and regimentation of overseas industries.

In order to be in stronger bargaining positions, or to more effectively negotiate on behalf of their respective industries, foreign textile industries may merger and form giant cartels, as foreign governments assume more and more control over various industries as their exports become subject to American import quotas.

More and more regimentation of industries, labor force, and national economies will take place, as countries erect their own protective walls and barriers against the exports of other nations.

SUMMARY CONCLUSIONS

Because economic prospects for the foreseeable future of the United States textile industry are so promising and encouraging, and because cotton textiles, the major fiber used in the field, is effectively under international quotas, there is no need or justification for the imposition of quantitative import quotas on the remaining wool and manmade fiber textiles.

Because the Japanese experience with "voluntary" and then "involuntary" multilateral and bilateral arrangements and agreements has been so tragic and unprofitable to that nation, other countries are more determined now than ever to oppose international control arrangements, and also unilateral import limitations, which result in about the same adverse consequences for the exporting industry.

Finally, because in at least ten significant and substantial ways textile import quotas would be harmful to the national interests of the United States, such textile import quota legislation should not be enacted into law, even if a presidential veto is required.

ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC.,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: First of all, may we thank you for the opportunity provided us last Friday, October 20, to not only testify before your Committee, but also to submit a prepared statement, regarding our opposition to import quota legislation in general, and particularly to one on textiles.

Secondly, may we take this means to supplement our oral testimony, if we may, since the ten minutes allocated us was so short and since no member of the Committee questioned us, as they did others, concerning what we consider to be among the most relevant and perceptive issues which pertain not just to textile legislation but to some of the more basic thinking by which these quota bills are justified.

1. Several witnesses made much of the fact that Japan and many other countries had various types of quantitative quotas and other nontariff barriers against United States and other imports. Accordingly, it was suggested by some that it was appropriate and proper that the United States should consider the imposition of similar import quotas and trade restrictions on a "since other countries do it, why shouldn't we" reaction basis.

We would respectfully interject that the way of leadership and statesmanship is not to try to "correct" a "wrong" by creating another "wrong", which is about what these arguments amount to, in our judgment.

Take the case of of Japan, for example. We know that ever since the reconstruction of her industry and economy after the devastation of war, Japan has been slowly but consistently trying to liberalize her trade and investment policies, much of it at American insistence. Perhaps this liberalization has not been as fast and as expansive as we would have preferred, but the uncontested fact is that Japan is trying to move toward such objectives.

If we are to encourage Japan and other countries to liberalize their trade and commercial practices, it will not be by imposing import quotas. Such a course would only invite these same countries to stop trying to liberalize and to revert back to a policy of strict protectionism.

It will only be by continuing our historic policy of trying to promote freer trade among nations that there can be a worldwide reduction of tariffs and the lowering of non-tariff import barriers.

2. Some witnesses argued that foreign nations should not object to these import quota bills since they provide an alternative of internationally negotiated agreements, such as the Long-Term Cotton Textile Arrangement (LTA) with its supplementary bilateral accords. Only if these exporting countries refuse to negotiate limitations would the mandatory unilateral quantitative import restrictions become effective.

The LTA was agreed to under the threat that unless the American terms were accepted, much more drastic import ceilings would probably be enacted by the Congress. No real showing was made that all, or certain, textile imports were "seriously injuring or threatening the disruption" of the United States cotton textile market.

Negotiating "at gun-point" can hardly be called an "alternative," especially when no tariff concessions are granted or trade retaliation authorized the other parties.

If various American industries can demonstrate that certain imports are seriously disrupting specific United States markets because of "unfair or unreasonable" advantages or conditions, and if they are unwilling to petition the United States Tariff Commission for import remedies, perhaps an international trade tribunal under the General Agreement on Tariffs and Trade (GATT) should be established where, under established rules and procedures, hearings to determine the validity of the allegations may be held. "Due process" would be involved and an impartial quasi-judicial finding could be made and appropriate relief prescribed.

Conversely, if other nations believe that they have a case against the United States, they would be welcome to seek an adjudication before this international trade court.

3. Still other witnesses charged that only cheaper wages and production costs in other nations permitted them to export their textiles and other products to the United States.

Such claims ignore the basic economic principles that underlie international trade and commerce.

There are several factors to be considered in the matter of comparative costs, including such fundamental concepts as capital, land, and labor.

While the following example may be an oversimplification, it is illustrative of some of these economic truths that cannot be overlooked.

Late in the last century, when Japan was first building its textile industry, it experimented with the growing of cotton. While the cultivation of cotton was relatively successful, it was also too expensive in competition with then available raw cotton from the United States, India, and China. The Japanese could have imposed high tariffs or import quotas on American and other "cheap" raw cotton and insisted upon growing their own cotton supply. But, rather, the Japanese decided that it did not make economic sense to be so "protective" about their infant cotton growing industry and began to purchase "cheaper" raw cotton in the world market. Over the past 75 years, Japan has been purchasing millions of bales of raw cotton from the United States because it has been "cheaper" in dollars and made economic sense.

Even today, if Japan wanted to, it could still grow raw cotton for its textile industry. But, the Japanese recognize that such a "protectionist" policy would be self-defeating and destructive of her industrial potential and economic well-being.

So Japan, though poor in capital and in resources (land), has concentrated on the development of her one great economic asset, skilled and dedicated manpower, to build one of the world's greatest and most productive industrial complexes.

To deny Japan, a nation which must trade to survive, the opportunities to engage in mutually profitable two-way commerce with the United States, may not only jeopardize the only major democratic, free enterprise ally we have in the Far East but also force her to look elsewhere for her supplies, markets, and alliances.

The three simple and yet self-evident facts that we have identified in this letter were, unfortunately, not emphasized as we think they should have been during the hearings last week of your Committee, so we are summarizing them at this time.

May we ask that this letter be incorporated as a part of the record of our testimony last Friday, October 20, 1967.

Respectfully,

MIKE M. MASAOKA,
Washington Representative.

Mr. MASAOKA. Now this statement covers three general propositions:

(1) Forecasts for the foreseeable future for the American textile industry are so promising and encouraging that textile imports quota legislation is not needed or justified;

(2) The tragic and unprofitable experience of the Japanese with voluntary and involuntary multilateral and bilateral cotton textile arrangements and agreements is such that other textile exporting nations are now completely opposed to the quota concept, whether export or import; and

(3) There are at least 10 significant and substantial ways in which we think textile import quotas can be inimical and detrimental to the national interests of the United States, particularly for the long run.

Mr. Chairman, at a time when U.S. statesmanship, leadership, and sacrifice have just helped conclude 4 years of Kennedy round tariff negotiations, and when we and our trading partners are looking forward to further negotiations leading to the reduction and elimination of nontariff barriers to international trade and commerce, it is most unfortunate in our view, that at the present time there appears to be a revival of economic isolationism and protectionism and a massive, coordinated campaign to erect the most formidable nontariff barrier of all, the import quota wall.

Perhaps we can make our greatest contribution to these hearings by summarizing briefly the 10 ways in which we believe a textile imports quota will be harmful to the national well-being.

If you, Mr. Chairman, or any member of the committee would like us to expand on any of these points, we certainly would be very happy to do so.

I must state at the outset that we do not speak either for the Japanese Government or the Japanese industry. We are simply speaking for the association of Americans who do import textiles from Japan.

Our No. 1 point in terms of what harm an import quota can do to the United States is this: If Japan alone wanted to retaliate for the imposition of import quotas on textiles destined for the United States, which last year amounted to more than $400 million, she might consider the agricultural products purchased from this country in 1966, which totaled almost a billion dollars.

There is no doubt that there are many other countries eager to sell these farm products to Japan, usually, we suspect, for less than American prices. But, Japan continues a high level of agricultural trade with the United States because of the dollars she earns with her exports such as textiles. Last year, Japan bought $110 million in raw cotton, $208 million in soybeans, $138 million in wheat, $122 million in corn, $27 million in feed grains, $42 million in tobacco, just to mention a few of the major farm crops involved.

Each year to date there has been testimony to the effect that textile imports were costing American jobs. Gentlemen, if Japan and other countries, which now purchase other agricultural goods, purchased less or stopped buying these goods there will also be unemployment among the farmers and others; and so when we talk about labor and workers losing their jobs or not, we ought to consider that this is a two-way street.

As a matter of fact, when we talk about workers in industry, and particularly in the textile industry, there has been a drop in employment, but curiously enough, according to the Bureau of Labor Statistics for early 1966, in 1964—the last year for which they have any record—only slightly less cotton cloth—1.3 percent in terms of square yards—was produced in 1954, but with 18 percent fewer active spindles and 19 percent active looms.

In other words, because of the increased productivity of the American workingman and the genius of the American industrial plant and equipment, we produced almost as much with 18 percent fewer spindles and 19 percent active looms.

As a matter of fact, the Senate subcommittee in 1964 reporting on the subject indicated that mere output per man in the 10-year period from 1957 up to 1964 rose per man from 7.8 to 11.6 yards, or a gain of 48.7 percent.

No. 2. If textile import quotas are established, the consumers' opportunities to select and choose would be restricted and inflationary pressures increased.

In this connection, I would like to mention that what would—certain questions were raised about what would happen if the import quotas were established. Would the American industry increase their prices or whatnot. I can only point to the fact that when Congress abolished the two-price cotton system and restored cotton to the one-price system, the American mills did not reduce the price of their cotton cloth or their production to the consumer. They absorbed it as extra profits.

Furthermore, I think we ought to examine the fact that Japan, for example, tends to send to us in textile products those textile items which require a lot of labor relatively speaking, and they do not ship to us textiles which require little in labor.

For example, such labor intense items as velveteens and ginghams are a Japanese specialty. But the Japanese cannot compete with the United States in such items as print cloth or denims.

No. 3. If textile import quotas are enacted, the American textile complex could become less efficient, less imaginative, less productive, less aware of consumer needs and services. In this connection, strange as it may seem, a Brookings Institute study of the percentage distribution spent for research and development purposes, in 1959, the latest available year, shows that the Japanese textile and apparel industry spent 4.1 percent while the U.S. industry spent only 0.2 percent for these vital objectives.

4. If textile import quotas are approved, the American industry may be encouraged to overexpand and build excess capacity, which may subsequently result in unnecessary mill and plant closings, with resultant unemployment.

5. If textile imports are restricted quantitatively, in such limited emergencies as the present Vietnam war, these imports cannot be entered to take care of any shortages that are threatened or have developed. If these imports are utilized by the military, then we as taxpayers are ahead. On the other hand, if military specifications are such that only U.S. mills and plants can provide them, then imports can help supply whatever civilian shortages may develop.

6. If textile imports are rigidly limited, when shortages develop because of new discoveries or fashion changes, as they did only last year for so-called "durable press, the Japanese brought in polyester-cotton fabrics to help the American industry satisfy a new demand, and, therefore, American workingmen and American industry were benefited.

7. If textile import quotas are imposed unilaterally, a huge new bureaucracy would be required to police the category-by-category, group-by-group, country-of-origin limitations on several hundred different textile items at every American port of entry, with checks against transshipments, mixes and blends, and everything else.

Much has been said about the long-term textile arrangement of the LTA, but we must remember that that particular experience will not be helpful because the LTA is an export quota and the exporting country and the exporting trade associations are responsible for its administration under these international arrangements.

8. If import quotas are set for manmade fiber and wool textiles, signatories to the Long-Term International Cotton Textile Arrangements (LTA) and its supplemental bilateral agreements may denounce that program and compound the administrative and other difficulties of the import quotas by adding the major fiber used in textiles used today to manmade and wool imports into the United States. At a time when we are trying to cut government costs, gentlemen, this is not the way to handle the problem.

9. Textile import quotas would disrupt the internal U.S. trade channels and relationships developed over the years. Dependence on domestic sources would dictate survival for many importers, wholesalers, retailers, and others on the whims of local producers, and not their salesmanship, innovations, services, and the like.

10. Textile import quotas would encourage the cartelization of overseas textile industries, as well as the general regimentation of industries, labor force, and national economies as the various countries erect their own protective walls against the exports of other nations.

Thus, Mr. Chairman and members of the committee, for these and many other reasons in our prepared statement, we respectfully urge that this committee and the Congress not approve textile import quota legislation, or any other quota measures. If the Congress does approve them, we call on the President to veto them in the larger national interest of the United States.

Thank you, Mr. Chairman, for this opportunity to be heard at these hearings.

The CHAIRMAN. Thank you very much, sir.

(Following are communications received by the committee expressing an interest in the preceding subject:)

U.S. SENATE,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate.

DEAR MR. CHAIRMAN: I would like to take this opportunity in advance of final committee action to express my full support of S. 1796, the Textile Imports Bill. This proposal is designed to place the domestic textile industry on a firmer footing vis-a-vis foreign imports.

I feel that it is high time that our textile import quota system was revamped to take into account the serious problems facing the domestic industry from badly regulated imports today. This problem was heightened by the unfavorable decisions made during the Kennedy Round of trade negotiations earlier this summer.

This proposed legislation would face up to the problem by: 1) setting limits on imports of man-made fibers and woolens for the first time; and 2) setting up a new formula on cotton imports to replace the current trade policy quotas which are not working. This bill would set import limits on cotton, man-made fibers and woolens based on the average of all textile imports in the six-year period, 1961 through 1966.

In my state of Nevada we are particularly concerned with the impact of wool textile imports. Under the present textile import regulations there is practically no protection at all for woolens and man-made fibers. Foreign textile producers claim 25% of our woolen market. Imports of wool textiles from countries with low production costs are continuing to cause considerable contraction in our domestic wool manufacturing industry. I am concerned that my state of Nevada, as well as many other states, will suffer substantial unemployment layoffs and loss of earning power unless strong import quota legislation is passed.

For the foregoing reasons, Mr. Chairman, I would hope that S. 1796 be given careful and, hopefully, favorable consideration.

Sincerely,

HOWARD W. CANNON.

STATEMENT OF SENATOR JOHN STENNIS, IN SUPPORT OF THE TEXTILE IMPORT BILL; S. 1796

I am deeply concerned over the accelerated increase in cotton textile and apparel imports. There are several aspects of this problem which call for immediate attention, but I would like to stress the impact from the standpoint of our cotton farmers. It is alarming to discover that in 1966 over one million equivalent bales of cotton were imported into the United States in the form of textile products. This has occurred in spite of the fact that there is an absolute quota which limits raw cotton imports to 30,000 bales. The importation of approximately 35 times this quota in the form of manufactured cotton textiles is certainly not in keeping with the spirit or intent of the acreage conrol program.

The question of imports should also be carefully evaluated from the standpoint of military security and military preparedness. Textile products are considered second only to steel from the standpoint of combat readiness. Textile products are vital in terms of clothing, equipment and shelter to our military forces in Vietnam, and it should be noted that the textile industry has performed an outstanding job in fulfilling the need of the defense program in a most effective manner. Imports should certainly not be permitted to weaken the ability of this industry to fulfill the military requirements of this Nation. For all these reasons I most strongly recommend the immediate enactment of legislation along the lines of S. 1796, of which I am one of the co-sponsors.

The manufacturing of wearing apparel is one of the major industries in Mississippi. We have about 150 plants scattered throughout the States which make shirts, trousers, underwear. work gloves and other articles of clothing from cotton and other fibers. This industry directly employs about 35,000 people and indirectly supports many others who are engaged in growing cotton and related economic activities. This vital and developing industry is being seriously threatened by increasing imports of foreign-made apparel products. These imports started back in the mid-1950's and have lately taken a sharp upturn. I am concerned about the rapid increase in these imports because they are undermining the development of the clothing industry in Mississippi and threaten the jobs and incomes of thousands of people which it employs. Imports, unless regu-

lated, are going to continue to increase and take even larger portions of the domestic market.

Domestic manufacturers cannot compete on the basis of price with imports made by cheap labor abroad. Of course this problem eventually can be overcome through research and greater capital investment, but this will take time, and time is against the industry with imports increasing so rapidly.

No industry can grow or even maintain its present position in the face of such competition in its own markets. The clothing industry in Mississippi needs time right now before it is too late to develop a strong foundation for competing with foreign products. This cannot be accomplished without orderly growth in the domestic market. Only with orderly growth will manufacturers be willing to invest and make the necessary long-range plans which will make the industry competitive with foreign manufacturers.

The domestic industry will not be able to furnish American markets if it is forced much longer to compete under present conditions. It will not be able to build a competitive basis for the future if imports continue to come rushing in. Legislation such as S. 1796 is urgently needed to stem the overwhelming flood of these imports into the domestic market and I certainly hope some measure of relief along these lines will be speedily adopted by Congress.

STATEMENT OF EDWARD W. BROOKE IN SUPPORT OF A QUOTA ON TEXTILE IMPORTS

I am pleased to have this opportunity to discuss the situation in the textile industry created by increasing textile imports.

The problems of the textile industry, like those of the shoe industry, are due in large part to the high cost of labor in this country. The U.S. textile average wage of $2.00 an hour is about six times the Japanese average and 2½ times the British average. Since it costs less to produce the foreign article, it is possible, even with the addition of a tariff, to sell it at a lower price than the more-costly-to-produce American textile. As a result, many American manufacturers have been unable to compete with foreign imports and have been forced to close their plants.

The effects of this situation are illustrated with particular clarity in Massachusetts where since 1958 the number of textile firms has declined from 589 to 473, and employment has dropped from 51,449 to 39,358. At the same time, the payrolls have actually increased due to rising labor costs!

Congress and the President recognized the gravity of this situation in 1961, when the Federal Textile Program was announced. Yet, even under the Long Term Cotton Arrangement cotton imports rose 24% in 1965 and 40% in 1966 to capture 10% of the domestic market. Imported wool textiles now account for 24% of the domestic market, almost double their share in 1961, a situation which has had a crippling effect on the important wool textile industry of New England. In 1966 there was a net deficit in the U.S. textile trade of $902 million, an amount which is equivalent to two thirds of our international balance of payments deficit of $1.4 billion.

Every branch of the textile industry in Massachusetts and across the country is experiencing sliding demand, short time, layoffs, declining prices and profits. Thus, it is clear that the 1961 program has not been effective and that if we are not to see the demise of an industry, action must be taken.

Because I feel that the textile industry is vital to the economy of our nation—and indeed to the national security, for in wartime our production of raw materials for textiles will be of little use if we do not possess a manufacturing industry to turn them into usable products, I have co-sponsored S. 1796 which would impose quotas on textile imports. I urge the Committee to give this bill speedy and favorable consideration.

STATEMENT BY SENATOR LEN B. JORDAN (IDAHO) ON S. 1796

Mr. Chairman, I would appreciate the opportunity to discuss S. 1796, a measure which would place quotas on the importation of various manmade or natural articles of textile fibers.

I am a cosponsor of this bill as are over ⅔ of the members of the Senate, a rather clear majority.

The textile and apparel industries are of vital importance to our economy, as the President pointed out in remarks made on October 4th of this year. At this time, he also indicated that representatives of these industries have expressed

to him and to many others a deep concern over their future well being in light of recent import trends.

Since the existence of the textile import problem has already been recognized by the President, who has publicly stated that reasonable limitations on textile imports are necessary, and by 68 members of the Senate and 174 members of the House who are sponsoring legislation to enable the President to effectuate his policy, the urgency for favorable consideration of S. 1796 seems a moot point.

There are many arguments that can be made on behalf of S. 1796. I would like to suggest just one. We all recognize the need for a favorable balance of trade. I would like to point out that in 1957, textile imports totalled $990 million; exports, $1,518 million, a trade balance of plus $538 million.

Now, just ten years later, it is estimated that 1967 textile imports will total $2,100 million, while exports will be approximately $1,132 million, a trade deficit of $868 million.

It seems clear that something must be done to protect our textile industry from the continuation and increase of this dangerous trend.

Mr. Chairman, it is my considered opinion that the future of a healthful American textile industry rests, in great part, with the passage of S. 1796.

STATEMENT SUBMITTED BY MELVIN KLEEBLATT, GENERAL COUNSEL, ON BEHALF OF THE ASSOCIATED CORSET AND BRASSIERE MANUFACTURERS, INC.

Gentlemen, this statement being submitted on behalf of the Associated Corset and Brassiere Manufacturers, Inc., 220 Fifth Avenue, New York, New York, a Trade Association consisting of manufacturers in that industry whose plants are located in New York, New Jersey, Connecticut, Pennsylvania, Alabama, Georgia, Maryland and Arizona. I have served as general counsel to this Association for more than thirty years and am fully conversant with the growth and development of this industry during this period and with the problems it has faced in the past and still faces.

The members of our Association believe that the constantly rising flood of imports of the products of this industry from low wage countries, particularly the Philippines, Hong Kong, Jamaica and Trinidad, has had a severe and damaging impact upon this industry and upon the workers employed therein and presents a continuing and dangerous threat to its growth. We feel that the present hearing being conducted by your committee must inevitably lead to the conclusion that corrective action is urgently necessary to prevent further harm to our manufacturers and workers.

We are aware of the complexity of the problem in terms of our national commitment to assist in the development of democratic nations throughout the world and to expand the channels of trade among all nations. But we are convinced that these important objectives can, and must, be achieved without doing irreparable damage to our domestic economy and the thousands upon thousands of persons who are dependent thereon.

Let us dwell for a few minutes upon the nature of the industry which is generally referred to as the corsets, brassieres and allied products industry. The products which our industry produces consist basically of brassieres, girdles, corsets or foundation garments, garter belts and similar body-supporting garments. According to the latest available statistics, the wholesale value of brassieres, corsets and allied garments shipped during 1966 totalled $647,458,000.00, of which $338,803,000.00 represented brassieres and $308,655,000.00 represented corsets, girdles and other foundation garments (Bureau of the Census, Current Industrial Reports, Series MA-23J (66)-1).

By modern industrial standards, manufacturing establishments in this industry are relatively small in size. 117 establishments, one third of the total number in operation in 1963, employed less than 20 workers, and an additional 60 establishments employed less than 50 workers. Only 7 establishments employed between 500 and 999 workers, and only 3 had more than 1,000 workers.

The Census Bureau provides the following information with respect to the number of workers employed in the industry:

	All employees	Production workers
1954	38,807	33,724
1958	37,808	31,563
1963	37,144	31,394
1964	39,013	32,907
1965	36,093	29,444

In this industry, as in other apparel industries, labor represents a high percentage of the cost of each article produced. There are several dozen operations involved in the making of even the simplest style of brassiere or girdle. Automation has had little effect on this industry. The only processes upon which it has had some impact are the die-cutting of piece goods and, to a limited extent, the handling of orders and shipments. For the rest of the variety of operations involved in the production of brassieres and girdles, the principle of "one-machine, one-worker" still applies. Thus, the effects of the importation of merchandise from low wage countries are felt in our country, not in the volume of production turned out by automatic machines, but in the number of hours of labor lost by American workers.

Exhibit 1 below shows the quantity of shipments of brassieres, corsets and allied garments in thousands of dozens for the years 1966 and 1965. These figures include the production of mainland and Puerto Rican plants, but do not include imported merchandise.

EXHIBIT 1

TABLE 1.—QUANTITY OF SHIPMENTS OF BRASSIERES, CORSETS, AND ALLIED GARMENTS: 1966 AND 1965

[In thousands of dozens]

Product	Quantity shipped [1]	
	1966 [2]	1965 [3]
Brassieres, bra-lettes, and bandeaux, total	20,575	19,390
Brassieres (with band 3 ins. or more) excluding bra-lettes	1,535	1,477
Bra-lettes (hip-length with garters)	69	77
Bandeau (with less than 3-in. band), total	18,971	17,836
Strap, regular, total [4]	13,753	13,201
$8.50 and under per dozen	3,797	3,816
$8.51 to $12.75 per dozen	3,305	2,887
$12.76 to $15.50 per dozen	1,684	1,710
$15.51 to $19.25 per dozen	1,504	1,444
$19.26 to $30.00 per dozen	2,412	2,184
$30.01 and over per dozen	1,051	1,160
Strap, padded or contour-lined	4,759	4,072
Strapless or convertible	459	563
Corsets (back-laced or front-laced)	67	69
Girdles, total	7,664	7,364
Girdles (with opening) including girdles made of latex, total [4]	2,308	2,210
$36.00 and under per dozen	1,310	1,294
$36.01 to $65.99 per dozen	665	610
$66.00 to $95.99 per dozen	213	205
$96.00 and over per dozen	120	101
Girdles (without opening) including girdles made of latex, total [4]	5,356	5,154
$30.00 and under per dozen	3,002	3,066
$30.01 to $51.00 per dozen	1,358	1,128
$51.01 and over per dozen	996	960
Combination and 1-piece garments (corselets)	241	251
Maternity foundation garments (including corsets and combinations and surgical corsets)	111	104
Garter belts	1,041	957

[1] Includes garments made in Puerto Rican plants. (See table 3.)
[2] Preliminary estimate.
[3] Revised.
[4] Prices represent manufacturer's wholesale list price.

Source: Bureau of the Census, Current Industrial Report Series MA-43J(66)-1.

TABLE 2.—VALUE OF SHIPMENTS OF BRASSIERES, CORSETS, AND ALLIED GARMENTS: 1966 AND 1965

[In thousands of dollars]

Item	Value of shipments [1]	
	1966 [2]	1965 [3]
Brassieres, corsets, and allied garments, total	647,458	609,580
Brassiers, bra-lettes, and bandeaux	338,803	318,689
Corsets, girdles, and other foundation garments	308,655	290,891

[1] Includes garments made in Puerto Rican plants. (See table 3.)
[2] Preliminary estimate.
[3] Revised

Source: Bureau of the Census, Current Industrial Report Series MA-23J(66)-1.

TABLE 3.—SHIPMENTS OF GARMENTS MADE IN PUERTO RICAN PLANTS: 1966 AND 1965

[Dollar amounts in thousands]

Item	1966 [1]		1965 [2]	
	Quantity shipped (1,000 dozens)	Value of shipments	Quantity shipped (1,000 dozens)	Value of shipments
Brassieres, bra-lettes, and bandeaux	5,951	$85,942	5,378	$76,806
Corsets, girdles, and other foundation garments	756	20,178	623	18,708

[1] Preliminary estimate.
[2] Revised.

Source: Bureau of the Census, Current Industrial Report Series MA-23J(66)-1.

As can be seen from the foregoing chart, of the 20,575,000 dozen brassieres produced in this country in 1966, 13,753,000 were of the most frequently used type, the bandeaux styles of brassieres. The largest category of shipments in the industry consisted of brassieres and the most popular price groups were those selling for $8.50 and under per dozen and between $8.51 and $12.75 per dozen. It is the manufacturers of this popular priced merchandise who are most directly and most seriously threatened by the imports from foreign low-wage countries. During 1966, when 7,102,000 dozen of these low-priced bandeaux were manufactured in the United States, including Puerto Rico, about 2,619,000 dozen in these low-priced categories were being imported. The imports thus accounted for an additional 37% of the low-priced bandeaux market in 1966. When the 1967 figures of American shipments are available, it is certain that the percentage of the market filled by imports will increase once again. These imports, deriving a tremendous price advantage from the payment of low wages, have effectively eliminated a large part of the volume of merchandise which would normally be produced by American firms, thereby dislocating American production and depriving apparel workers of employment opportunity.

The tide of imports commencing in 1955 is dramatically illustrated by the following table showing the imports of brassieres from 1955 through 1966:

EXHIBIT 2

U.S. IMPORTS OF BRASSIERES, 1955 TO 1966

	Philippines		Japan		Hong Kong		Jamaica		Trinidad		All other countries		Totals	
	Quantity (Dozens)	Value	Quantity (Dozens)	Value	Quantity (Dozens)	Value	Quantity (Dozens)	Value	Quantity (Dozens)	Value	Quantity (Dozens)	Value	Quantity (Dozens)	Value
Years:														
1955	----------	----------	(1)	$262,100	----------	----------	----------	----------	----------	----------	(1)	$162,600	(1)	$438,700
1956	(1)	$77,328	(1)	2,074,900	----------	----------	----------	----------	----------	----------	(1)	100,700	(1)	2,260,000
1957	(1)	921,600	(1)	2,309,500	(1)	$195,142	(1)	$44,233	(1)	$42,870	(1)	177,500	(1)	3,658,400
1958	542,027	1,707,973	861,252	2,103,645	498,006	1,120,757	31,849	176,377	8,501	29,345	20,900	164,348	1,962,600	5,302,300
1959	814,969	2,505,105	651,836	1,450,938	1,265,314	2,504,792	62,772	330,762	3,374	11,919	21,455	204,941	2,819,700	7,008,500
1960	663,571	2,076,803	402,064	843,139	1,236,161	2,178,131	142,325	701,110	6,580	39,560	18,600	503,000	2,462,700	6,300,200
1961	918,871	3,547,720	167,059	350,319	1,267,230	2,240,931	253,254	1,203,181	8,735	53,501	20,900	291,300	2,627,300	7,633,500
1962	1,120,813	4,426,282	75,570	170,776	1,262,581	2,324,189	344,918	1,713,437	21,696	134,013	16,800	279,500	2,842,125	8,938,031
1963	1,196,462	4,316,307	55,745	120,321	953,335	1,819,125	366,941	1,805,448	24,307	155,494	13,800	86,200	2,610,467	8,412,682
1964	1,174,730	4,622,028	----------	----------	1,254,873	2,535,805	350,149	1,823,424	16,709	106,435	49,811	367,218	2,846,272	9,454,910
1965	1,195,170	4,381,062	----------	----------	1,044,882	2,223,650	285,382	1,632,156	31,701	170,856	50,418	608,802	2,607,553	9,016,526
1966	1,387,465	5,509,717	----------	----------	835,585	1,754,037	332,478	2,047,511	32,914	177,113	30,559	409,626	2,619,001	9,898,004

[1] Not available.

Source: U.S. Department of Commerce, Bureau of the Census; Report No. FT 125, "U.S. Imports of Merchandise for Consumption."

It should be noted that the largest volume of imports orginally came from Japan but gradually shifted to those countries where the wage standards were even lower, namely the Philippines, Hong Kong and Jamaica. The value of imports has increased from $438,700.00 in 1956 to $9,898,004.00 for 1966. The true impact on domestic production and employment cannot be fairly gauged by merely considering the dollar value of the merchandise as shown by the foregoing Customs report. The dollar figure is a valuation for Customs purposes at the point of embarkation and does not include Customs duties, costs of shipment importer and jobber mark-ups. Accordingly, these figures are always lower than the wholesale price reflected in the Census Bureau Reports of domestic shipments. The significant measuring rod is the number of units produced abroad. Only when we consider the fact that in 1965 2,607,553 dozens of brassieres or *31,290,636* units and that in 1966 2,619,001 dozens or *31,428,012* units were imported from low-wage countries can we truly appreciate the magnitude of the problem faced by our domestic producers.

It takes an average of 100 minutes of direct labor to produce one dozen of a relatively uncomplicated type of brassiere.

Based upon this time element, if we convert the imports from foreign countries into direct labor man-hours, we find that the loss of employment which has resulted from the importation of these garments has amounted to 2,494 workers (4,363,255 man-hours lost), assuming a very generous standard of 50 weeks employment at 35 hours per week, the prevailing union standard in our industry. Add to this figure the indirect labor involved on a 1 for 4 basis and the aggregate becomes 3,118 lost jobs, about 10% of the number of the production workers employed in continental United States now. Thus every dozen brassieres brought in from Hong Kong, Philippines and Jamaica has deprived an American worker of a wage opportunity. If this process continues unabated, the thousands of workers who produce these popular price garments will soon be faced with the disappearance of their jobs.

In 1966, the average value of a dozen unornamented cotton brassieres, valued at point of shipment, was as follows:

	Per dozen
Hong Kong	$2.10
Philippines	3.97
Jamaica	6.16
Trinidad	5.38

Almost daily our newspapers carry advertisements offering low-price and popular-price brassieres, such as are shown in Exhibit 3, to the American public.

(Exhibit 3, was made a part of the official files of the committee.)

In the aggressively price-competitive apparel market, these cheap imports constantly exert a downward pressure on prices. These goods are produced in a labor market against which the American manufacturer and the American worker cannot compete. In Hong Kong, a 63-hour, seven day workweek prevails; average wages range from 50¢ to $1.40 per day for unskilled workers and from $1.20 to $1.75 per day for semi-skilled workers. Workers in production activities in the garment industry are paid on piece rates which result in average earnings of $1.05 to $2.50 per day. (Basic Data on the Economy of Hong Kong, Overseas Business Reports, U.S. Department of Commerce, June, 1964.)

In the Philippines, the minimum wage for workers in most non-agricultural occupations was raised by statute from $1.04 per day to $1.56 per day on April 21, 1965. (Labor Developments Abroad, U.S. Department of Labor, Bureau of Labor Statistics, July, 1965.) The work week is 48 hours with a minimum overtime premium of 25% of the wage rate for work in excess of eight hours a day or for Sunday or holiday work. Previously, a skilled worker could receive anywhere from $1.29 to $3.21 per day and an unskilled worker would range from the $1.04 minimum to $1.43. Wearing apparel workers are considered to be in the lower end of the economy and would therefore not receive the maximums above-quoted. (Labor Conditions in the Philippines, Bureau of Labor Statistics, Labor Digest No. 34, 1963.)

Weekly wages in Jamaica for unskilled workers range from $3.32 to $12.04 for a 44-hour week. (Labor Digest, Bureau of Labor Statistics, No. 51, 1964.)

Trinidad has advertised in the trade press that it offers to brassiere manufacturers "out-standing opportunities", such as going wage rates for operators of 30 to 45 cents per hour, a home needlework tradition, a big labor pool featuring four to six applicants per job, and tax holidays and incentives. In this connection, one should note that imports of brassieres from Trinidad have risen from a low of 3,874 dozen in 1959 to 32,914 dozen in 1966. (See Exhibit 2.)

The low tariff rates applicable to imports of corsets, brassieres and allied garments have stimulated the flow of foreign merchandise into the United States. There is a 32% rate on articles containing lace or embroidery, based upon their value at the point of embarkation, and a 23% ad valorem duty on unornamented goods which is being reduced to 18% ad valorem by the Kennedy Round of Tariff Negotiations over the next 5 years.

The Philippines have enjoyed even greater preferential tariff treatment by treaty with the United States, as a result of which, imports from that country were subject to only 20% of the applicable tariff duty in the calendar years 1963 and 1964, and since January 1, 1965, have been received at 40% of the tariff rates. On and after January 1, 1968, Philippine goods will pay 60% of the duty. Only after July 3, 1974, will imports of Philippine products be subject to the full tariff rates and then only if the preferential treatment is not further extended. (Title 19, U.S.C.A., Section 1202.) These tariff reductions have been a significant element in fostering the great increase in the volume of brassieres imported into the United States from the Philippines.

While the volume of imports has mounted steadily, the level of our exports in this industry has declined substantially. Exhibit 4 presents a comparison of imports and exports of brassieres in dollar value from 1955 to 1966. In 1955, imports were valued at about 6.5% of exports and in 1956 at 30% of exports. By 1966, the ratio of imports to exports rose to 116%. In considering these developments, we should not forget that the nations of the world are as open to the merchandise produced in low-wage countries by American or other manufacturers as they are to the products made in continental United States and Puerto Rico.

EXHIBIT 4

COMPARISON OF U.S. EXPORTS AND IMPORTS OF BRASSIERES IN DOLLAR VALUE, 1955-66

Year	Exports	Imports
1955	$6,709,400	$438,700
1956	7,607,700	2,260,000
1957	8,335,200	3,658,400
1958	8,396,000	5,302,300
1959	9,550,000	7,008,500
1960	9,996,000	6,302,200
1961	10,460,000	7,633,500
1962	9,667,625	8,938,031
1963	11,427,109	8,412,682
1964	12,523,399	9,454,910
1965	8,608,050	9,016,526
1966	8,497,740	9,898,004

Source: U.S. Department of Commerce, Bureau of the Census: Report No. FT 410, "U.S. Exports of Domestic Merchandise" and Report No. FT 125, "U.S. Imports of Merchandise for Consumption."

Efforts to achieve international agreement on the restriction of imports of cotton textiles, including cotton brassieres and other body-supporting garments, by means of bilateral agreements between the United States and the principal exporting countries of these products, have failed to stem the upward trend of imports. Pursuant to the Long-Term Cotton Textile Arrangement concluded in Geneva in February, 1962, the United States entered into Bilateral Cotton Textile Agreements with the Philippines, Hong Kong and Jamaica. These agreements provided restraint ceilings on a variety of cotton textile categories and included a quota on the quantity of brassieres and other body-supporting garments (Category 61).

Thus, the five-year agreement with Hong Kong which became effective on October 1, 1965, established a quota of *1,549,011 dozens* for brassieres and body-supporting garments. For the year commencing October 1, 1966, the quota will be *1,626,462 dozens*. (Department of State, Press Release No. 191, August 26, 1966.) For the 1969-70 quota year, Hong Kong will be permitted to export to the United States 1,858,813 dozens.

The Philippine "restraint" level was fixed at 1,200,000 dozens for calendar year 1964. By reason of the 5% annual increase allowance, it became 1,260,000 dozens in 1965, 1,323,000 dozens in 1966 and will be 1,389,150 dozens for 1967. The current annual increment alone is almost as much as the total imports of 77,000 dozen from the Philippines for the entire year of 1956. The Bilateral Cotton Textile Agreement with the Philippines which expires on December 31, 1967 has been amended and extended to December 31, 1970. The quota level for

the calendar year 1968 is set at 1,550,000 dozens. For the 2nd and 3rd years of the Agreement the quotas shall be increased 5% per annum over the 1968 total. The 1968 quota is an 11.5% increase over the 1967 level (Department of State, Press Release No. 208, September 22, 1967).

Actual imports of brassieres in 1966 from the Philippines amounted to 1,387,465 dozens, thus exceeding the 1966 quota of 1,323,000 dozens by 64,465 dozens. The failure to enforce the very liberal quota system serves merely to compound the injury done to domestic manufacturers and workers.

In view of the foregoing, and in view of continuing economic and political pressures, the effectiveness of restraint agreements as to the products of this industry is highly questionable.

One of the stated purposes of the Long Term Cotton Textile Arrangement was—

". . . to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture."

Another underlying aim was to make certain "that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production in both importing and exporting countries".

We respectfully submit that neither of these objectives have been realized by the Bilateral Cotton Textile Agreements. Instead of achieving the development of native-owned and native-managed facilities in this industry, the high quotas and low tariffs have encouraged a number of American manufacturers to develop their productive facilities in foreign countries and to obtain unfair competitive advantages over their domestic counterparts. Thus, the brassiere and corset industry in the Philippines, Hong Kong, Jamaica, Trinidad and elsewhere is completely dominated by American concerns whose sole interest is to take advantage of the prevailing sub-standard wages paid in these areas.

Another dangerous threat to the domestic industry developed during the course of the past year when several giant retailing complexes moved to take advantage of the competitive attractiveness of the Philippines and made arrangements for the manufacture of foundation garments in Philippine factories. In August of 1966, it was announced that Spartan Industries, which controls the Spartans, Atalantic Thrift and Korvette Stores, was establishing its own foundation manufacturing and wholesale division to supply Philippine merchandise to these stores and to sell any surplus production to other non-affiliated retail outlets. It was also reported that McCrory-Klein's, whose controlling stockholder, (Meshulam Riklis), is also interested in the above-quoted Gelmart-Knitting Mills in the Philippines, is also producing brassieres for sale through its many retail stores. It is a matter of fact that a number of members of our Association since the first of the year have lost orders aggregating thousands of dozens per week which were formerly sold to the aforementioned retail stores. Line for line copies of successful styles of brassieres have been made and are now being produced by or for these retail giants in Philippine manufacturing facilities. The loss of this business alone by our manufacturers has resulted in a loss of hundreds of thousands of man-hours of American labor each week.

The corset and brassiere industry in the United States has more than adequate facilities to satisfy the present and future demand of American consumers for its merchandise. The approximately 2,619,000 dozen garments now being imported have disrupted the American market and deprived American workers of thousands of jobs. Women's Wear Daily commented on the plight of domestic manufacturers as follows:

"The $1.00 price point of the bra industry is under the most severe attack in its history—makers don't know where to dig their trenches.

"The retail popular price point—traditionally one of the most lucrative in the business and a favorite of variety chains and other mass merchandisers—is caught in an enormous squeeze by rising labor and material costs. An attack from the flank by Far Eastern imports is assuming the proportions of a second front to hardpressed United States makers.

"And the pressure is beginning to mount for the $1.59 bra makers—the next popular price point." (Women's Wear Daily, August 25, 1966.)

If this process continues unabated, the entire popular-priced segment of the industry may have to be relinquished to the import trade.

The Long Term Cotton Arrangement and the bilateral treaties negotiated by the United States are inherently defective and cannot provide adequate protection

to the American economy. These agreements cover only products in which cotton represents more than 50% (by weight) of the fiber content. The broad range of synthetic textiles such as nylon, rayon and dacron are entirely untouched by quota restrictions. To circumvent the already generous quota limitations, a fabric consisting of 65% dacron-35% cotton has been introduced into the manufacture of imported brassieres. The use of this fabric, which looks like cotton but has a finer and smoother texture, could easily swell the volume of imports of brassieres to tremendous and unlimited amounts, with disastrous consequences for the popular priced market in the United States.

The bilateral agreements cannot prevent a shift by American importers to areas which have heretofore not shipped any brassieres or other foundation garments to the United States. American ingenuity being what it is, the imposition of quotas in one country has resulted in a transfer of manufacturing activities to another low-wage area. Thus we have witnessed a move from Japan to Hong Kong, the Philippines and Jamaica. New names constantly appear in the import reports. The island of Barbados, with no shipments of the industry's products in 1962, shipped 482 dozen brassieres in 1963, 1,889 dozen in 1964 and 2,292 dozen in 1965. The Leeward and Windward Islands appear for the first time in 1965 with 560 dozen, which in 1966 rose to 2,592 dozen. The Korean Republic made its entry in 1965 with 2,500 dozen and increased its volume in 1966 to 3,500. These numbers are admittedly small but the potential for those who seek to find competitive advantages in cheap labor areas is unlimited. Advertisements seeking to entice American producers to lush tax-exempt and low-wage tropical isles appear frequently in the trade press. (See Exhibit 5.)

(Exhibit 5 was made a part of the official files of the committee.)

The members of our Association are fully aware of the economic and political realities of the world in which we live. We recognize the vital importance of promoting and expanding the economies of the under-developed countries which are struggling to establish democratic societies within their borders. But we are convinced that exploitation of depressed labor conditions by a small number of American manufacturers and retailers seeking undue advantage over their competitors does not constitute or lead to orderly development in these nations. While these activities may provide a temporary stimulant to international trade, the inevitable consequences, we submit, can only be a disruption of industrial development, both in the less-developed areas and in the United States.

The searching inquiry being made by your Committee into the impact of imports and exports on American employment is a most timely one. It is imperative that a comprehensive and long-range program be devised so as to establish a balanced relationship between the legitimate needs of underdeveloped nations to build their economies and industries on a solid and permanent basis and the rights of American manufacturers to maintain and expand their businesses and of American workers to enjoy continuing employment opportunities.

As manufacturers in one branch of the apparel industry, the members of our Association cannot presume to qualify as experts in the resolution of the complex problems involved in international trade agreements. But as businessmen who are seriously affected by a flood of imports and who are anxiously concerned with preserving a fair share of the domestic market, they have a right to recommend that certain types of remedial action be taken to cope with the import problem. Tariff rates must be established which will eliminate the unfair competitive advantage derived solely from the payment of low wages in foreign countries. Where products are manufactured abroad which are identical with or substantially similar to domestic merchandise, tariff rates should be based upon the American wholesale price. An overall quota limitation should be placed upon all of the products of our industry. The quota should be divided among the various products in accordance with price lines and volume and then apportioned on a fair and equitable basis among the various exporting countries. This restriction should be determined on the basis of the industry's pattern of growth in the various categories of merchandise which it produces, having due regard to its right to expand its facilities and its labor force, as the population of the United States grows and the standard of living improves. Quota limitations must include within their scope the ever-expanding variety of synthetic textiles and cotton-and-synthetic blends used in the industry. We believe that the foregoing guidelines are indispensable to the formulation of a revised trade program.

We urge the members of your committee, upon the conclusion of these hearings, to serve as the spearhead of a movement for constructive trade-agreement reform which will obliterate for the manufacturers in this industry the spectre of declining business and vanishing employment created by the ever-increasing assault by low-wage imports from abroad.

STATEMENT OF NEIL O. BRODERSON, PRESIDENT, CAP-ROC, INC., ROCHESTER, NEW YORK, ON BEHALF OF THE BUTTON DIVISION OF THE SOCIETY OF THE PLASTICS INDUSTRY, INC., SUBMITTED BY ROBERT R. TIERNAN

Mr. Chairman and Members of the Committee, on behalf of the Button Division of the Society of the Plastics Industry, Inc., I am pleased to have the opportunity to submit this statement for consideration by the Senate Committee on Finance in connection with its study of proposals to impose quotas on specified commodities. The particular commodity group to which this statement is directed is textiles and, more specifically, wearing apparel.

By way of background, the Society of the Plastics Industry, Inc. (SPI) is a corporation organized under the Membership Corporation Laws of the State of New York. It is composed of approximately 2,500 member companies and individuals who supply raw materials; process or manufacture plastics or plastics products; engineer or construct molds or similar accessory equipment for the plastics industry; and engage in the manufacture of machinery used to make plastics products or materials of all types. SPI is the major national trade association of the plastics industry, its membership being responsible for an estimated 85 to 90 percent of the total dollar volume of sales of plastics in this country.

The Society's Button Division includes companies who account for 80 percent or more of the dollar volume of American production of polyester and acrylic buttons and button blanks. In addition to being Chairman of the SPI Button Division, I am President of Cap-Roc, Inc. which is a major American producer of these commodities.

The American button industry has been particularly hard-hit by imports in recent years, having been the victim of two avoidance devices which practically nullified the button tariff. The first of these involved the direct importation of "buttons without holes" at the substantially lower button blank rate of duty. No sooner had this loophole been closed by the enactment of legislation than the importers began shipping "buttons without holes" to the Virgin Islands, drilling the holes there, and entering the finished buttons into the United States completely free of duty. Recognizing its manifest unfairness, Congress moved to enact further legislation to do away with this practice. However, much damage was done and, indeed, even today, the industry has yet to recover fully from the effects of these avoidance devices.

Of course, my statement thus far has related solely to the importation of buttons as such. The industry is presently faced with a problem equally severe which is their importation on wearing apparel. We estimate that buttons imported in this manner have grown successively from approximately 6,800,000 gross in 1963 to 7,775,000 gross in 1964; to 9,360,000 gross in 1965 and to an alarming 10,485,000 gross in 1966. Based upon the statistics available to date, there is no question but that imports of buttons on garments in 1967 will increase subsatntially from all prior years. This will have a severe adverse effect not only on the button industry but on related industries such as the button blank and raw material suppliers.

Because of the great disparity between production costs in the United States as compared with Hong Kong or Japan, the American button industry is not competitive in world markets, and is not, therefore, a substantial exporter. Our industry is almost exclusively reliant on the domestic apparel industry and our fate is inextricably woven into theirs. Thus, should imports continue to erode the American apparel industry, we, too, would be equally harmed. For these reasons, the Button Division urges that this Committee give consideration to taking whatever steps are deemed appropriate to afford relief to our textile industry from the increasing flow of imports.

On behalf of the SPI Button Division, I want to express my thanks for having been given the opportunity to submit this statement.

STATEMENT ON BEHALF OF INTERNATIONAL LADIES' GARMENT WORKERS' UNION AND AMALGAMATED CLOTHING WORKERS OF AMERICA, SUBMITTED BY LAZARE TEPER, DIRECTOR OF RESEARCH, INTERNATIONAL LADIES' GARMENT WORKERS' UNION AND MILTON FRIED, DIRECTOR OF RESEARCH, AMALGAMATED CLOTHING WORKERS OF AMERICA

This joint statement is submitted on behalf of the International Ladies' Garment Workers' Union and the Amalgamated Clothing Workers of America.

The two labor organizations represent over 850,000 apparel workers employed in the United States and Puerto Rico. The combined membership encompasses the overwhelming majority of all workers in the nation who are engaged in the production of men's, boys', women's, children's and infants' garments.

The writers of this statement have been regularly following economic developments in the apparel industry in the course of their research activities and as members of the Management-Labor Textile Advisory Committee and of the Management-Labor Wool Textile Advisory Committee established by the President's Cabinet Textile Advisory Committee. From time to time they have also served as advisors to the United States Government delegations in connection with international textile trade negotiations.

The apparel industry is one of the key industries in the nation. It does an annual volume of close to $13 billion at wholesale and employs over one and a quarter million workers. It is made up of some 25,000 establishments employing on the average about 50 workers. Although some firms conduct their production activities in more than one establishment, over 60 percent of companies in the apparel industry do an annual volume of less than $1,000,000 and only 6 percent of companies sell more than $5,000,000 a year. Thus, despite the presence of larger firms, United States apparel production is carried on predominantly by small business.

The intensely competitive character of the industry is magnified by the ease with which new firms can enter business. Capital requirements are small and technology is relatively simple. The presence of many small firms in the field also helps to stimulate extreme competition as does the fact that various apparel items are substitutable for each other. As a result, business mortality is high and the industry's profits are the lowest in the nation. This can be seen from the latest report of the Federal Trade Commission and the Securities and Exchange Commission which shows that in the first quarter of 1967 profits after taxes in the apparel industry averaged only 1.8 percent of the sales dollar. The competitive nature of the industry is also illustrated by the prices it charges its customers. Thus, in the entire post-war period, from 1947 to date, wholesale apparel prices advanced by only 5 percent in contrast with a general rise of wholesale prices of 31 percent. Price gouging in domestic garment manufacture just does not exist.

The apparel industry is located throughout the country. Plants are either found in a small number of urban centers where the industry provides a major source of jobs for the type of workers it employs or else they are located in small scattered communities where frequently an apparel plant provides the only or key source of jobs. Eight out of ten workers in the industry are female. As a matter of fact, the apparel industry provides one of every four jobs for women workers in the nation's manufacturing plants. Many of these people are drawn from the disadvantaged or poverty groups. Any negative impact on employment opportunities in this industry unavoidably creates pockets of unemployment, reduces employment opportunities for the very people who normally suffer from high unemployment and on whose behalf governmental anti-poverty programs were developed, and impairs earnings for workers employed in the industry.

Despite the reasonableness of prices charged for apparel produced in the United States, imports of apparel increased in recent years at an alarming rate. Before the second world war, neither imports nor exports of apparel loomed very large on the domestic scene. As late as 1954, imports represented only 1 percent of domestic production. However, in the intervening years, the physical volume of apparel imports advanced rapidly. Even though international arrangements and a number of bilateral agreements negotiated by the United States and foreign nations helped to check shipments of cotton textiles and apparel (though not to a degree originally anticipated under these programs), the overall physical volume of apparel imports rose by nearly eighteen-fold between 1954 and 1966. As a result, 1966 apparel imports equaled 13 percent of domestic output. This ratio is likely to be higher in 1967.

Imports have risen for a variety of reasons. Some of the growth was fostered by tariff reductions on the part of the United States. But it was also furthered by the existence of substantial wage and labor cost differentials between the United States and many other parts of the world and the ease and speed with which apparel manufacture can be started and expanded. This induced a number of domestic enterpreneurs to evade labor standards established in the United States by legislation or collective bargaining. They either sought out existing off-shore sources of procurement or else helped to set up new facilities abroad taking advantage of substandard conditions. Retailers also played a role in promoting imports on which they took higher markups and realized higher profits.

The current prospect is for a continued large and rapid increase in the flow of apparel imports to the United States. While international agreements applicable to cotton textiles and apparel tend to limit the tempo at which such imports are rising, no comparable regularization exists with regard to textiles and apparel made of fibers other than cotton or made of many blends of other fibers with cotton. This development is already taking place and is evident in the excessively rapid rise in the shipment of these goods from abroad over the last several years. As of this time, the rising tide of imports has already cancelled out jobs for some 175,000 workers who might have gotten jobs in the domestic apparel industry. Further upsurge in imports will further endanger the already vulnerable apparel industry of the United States as well as its work force.

The peculiar nature of the apparel industry and of its workers definitely require safeguards from the destructive impact of competition from abroad based on low wages and excessive exploitation of labor. In the case of cotton textiles and apparel, safeguards against an unrestrained influx of foreign-made goods are currently provided for by the recently renewed International Cotton Textile Arrangements and a number of bilateral agreements although, as noted earlier, the rise of such imports proved to be much greater than originally anticipated. But no safeguards currently exist in the case of textiles and apparel made of fibers other than cotton and in the case of many blends of other fibers with cotton. It is hoped that the United States government will succeed in concluding the much-needed agreements with foreign nations which will regularize imports of such goods. This is the soundest road to pursue. However, if the government is either not prepared to conclude such agreements or if such understandings cannot be reached with foreign countries, there is no alternative but to resort to limitation and control of undesirable imports by obtaining appropriate legislative remedies in the form of quotas. Of course, because of the importance of such legislative steps, the matter should be handled strictly on its own merit and should not be tied up with other legislative proposals, such as those relating to social security.

Statement of William Pollock, General President, Textile Workers Union of America, AFL–CIO, on the Need for Import Quotas on Textiles

Summary

Import quotas on synthetic fibers and all textile products are needed to prevent the crisis confronting textile workers from causing the destruction of thousands of jobs and creating severe distress in many textile communities. Imports have played a major part in causing the current textile decline. The Government has recognized the vulnerability of the textile and apparel industry to disruption from imports from low-wage countries. A system for regulating imports of cotton products through international arrangements has been effectuated but no controls have been instituted for man-made fiber and wool products. Consequently, imports of these articles are threatening to engulf the domestic market. The tariff mechanism is inadequate to deal with this situation. The Hollings Bill (S. 1796) would impose quotas on a fair and equitable basis. Adoption of this Bill is essential to safeguard the jobs of 2⅓ million textile and apparel workers in the United States.

The following are the subject headings in our statement:

The Crisis Confronting Textile Workers
The Impact of Imports
The Importance of Wage Disparities
Expansion of Textile Capacity Abroad
Need for Action to Safeguard Domestic Jobs
Support of Hollings Bill (S. 1796)

On behalf of the 200,000 workers represented by our organization who are engaged in the production of synthetic fibers and textile mill products, we welcome this opportunity to present our views on the need for import quotas on synthetic fibers and all textile products.

The hearings being conducted by the Senate Finance Committee are taking place at a most critical time. Imports of man-made fibers and textile products have been growing by leaps and bounds. At the same time, new orders have been declining and inventories of finished goods at domestic mills have accumulated to a point where drastic production cutbacks have been initiated. Workers have been laid off and the hours of work of employed workers have been sharply reduced.

The Crisis Confronting Textile Workers

The workers in this industry face the gravest crisis since the fifties. The memory of the mill liquidations, unemployment and short work weeks which plagued us in that dolorous decade is too strong to permit complacency in the face of the ominous handwriting on the wall.

Consider the signs of deterioration which confront us:

The Federal Reserve Board index of textile production has dropped by more than 6% since mid-1966 (from a seasonally adjusted index of 144.0 in June 1966 to 135.3 in July 1967).

Production of broad-woven fabrics declined by 6% in the 1st half of 1967 from the level in the corresponding period of the preceding year. The decline in cottons was 5%; synthetic goods, 6%; and wool, 16%.

Inventories of broad-woven fabrics were 22% higher at the end of July 1967 than in the preceding year, with cottons up by 31%, synthetics by 10%, and finished wool apparel fabrics by 1%.

Unfilled orders at the end of July 1967 were down by 43% for all broad-woven fabrics, with cottons down by 47%, synthetics by 25%, and wool by 19%.

Shipments of rayon and acetate yarn declined by 11% in the first 8 months of 1967 and rayon staple fiber dropped by 14%.

These declines have had a substantial impact on the workers in the industry. Employment of textile mill production workers dropped to a seasonally adjusted level of 835,000 in July 1967, 28,000 below the number employed in August 1966. The average work week of textile workers has been cut back by 1.8 hours a week, from a seasonally adjusted rate of 42.4 hours in March 1966 to 40.6 hours in July 1967.

Synthetic fiber plants have been forced to institute widespread layoffs. Production worker employment declined by 8% in the past year (from 73,200 in July 1966 to 67,500 last July).

The Impact of Imports

Imports have played a major part in causing the current textile decline. The vulnerability of the textile and apparel industry to the disruptive effects of imports from low-wage countries has long been recognized. As long ago as 1959 a Special Subcommittee of the Senate Committee on Interstate and Foreign Commerce found that this industry required special safeguards to prevent its destruction by imports. The following excerpts from the report of the Subcommittee set forth the characteristics of the industry which are still pertinent today.

> Historically, one of the first industries to be established in a country as it begins the process of industrialization is the textile industry. Hence throughout the world we have witnessed, especially during the past few years, a rapid development of textile capacity in many countries which formerly imported most or all of their textile products . . .
>
> . . . we urge the Government agencies administering this (foreign trade) policy recognize that the problem of declining employment in the domestic textile industry has been aggravated by rising imports and the loss of export markets . . .
>
> Since the wages of textile workers in foreign countries range down to as much as one-tenth of the earnings of American textile workers, foreign mills have a pronounced competitive advantage over domestic mills and can dispose of their products in our markets at prices substantially below those which American mills must receive . . .
>
> The wide spread in wage rates and hence costs between European and Far Eastern textile producers make it impossible to set a traiff duty which would be fair and equitable. Therefore, we recommend that quotas be established which will permit foreign producers of textile products to sell in our markets within limits which will not further endanger existing textile capacity. We also recommend that quotas be established by specific categories of textile products. (*Problems of the Domestic Textile Industry*, Report of Special Subcommittee, Committee on Interstate and Foreign Commerce, U.S. Senate, 1959, pp. 12, 24, 25.)

In recognition of the special problems of the textile industry, President Kennedy announced a seven-point program of assistance in May 1961. One of these points dealt with the need for international measures to control trade in textile products, as follows:

> I have directed the Department of State to arrange for calling an early conference of the principal textile exporting and importing countries. This

conference will seek an international understanding which will provide a basis for trade that will avoid undue disruption of established industries.

As a result of the President's initiative, international arrangements were negotiated in Geneva during 1961 and 1962 which established a system of control for trade in cotton products. However, no such system has been developed with respect to wool or man-made fibers and products. Consequently, imports of these products have skyrocketed. Indeed, even in the cotton field, loose administration of the controls has resulted in tremendous increases in imports.

Between 1961 and 1966 imports of textile products more than tripled (from 926 million square yards equivalents to 2,796 million). The share of the domestic market accounted for by imports jumped from less than 5% to more than 10%. In wool products, the ratio of imports to consumption rose from 13% to 22%. Imports of man-made staple fiber rose from 5% to over 10% of mill consumption during this period.

While the domestic industry was able to absorb the increasing volume of imports at a time when the demand for goods was expanding, the disruptive effects of these imports hit the industry hard when demand declined. Moreover, the rate of increase in imports has accelerated so drastically since 1964 that it has become impossible for the industry to cope with the growing influx of foreign goods.

Total imports of textile products increased by 85% between 1964 and 1966. Cotton products rose by 72%, wool by 34% and synthetics by 143%. Man-made staple fiber imports registered a jump of 31%.

The Importance of Wage Disparities

The basic factor which makes such increases possible is the wide disparity in wages between the prevailing levels in the exporting countries and the U.S. level. While the average wage of American textile workers is approximately $2 an hour, the earnings of textile workers in the two countries which account for about half of our imports are $.36 an hour in Japan and $.25 in Hong Kong. Textile wages in the other Far Eastern exporting countries range from $.08 an hour (in South Korea) to $.18 an hour (in the Philippines).

With disparities in wages of these magnitudes, it is small wonder that the domestic industry is being engulfed by a foreign imports. While our technology is modern and efficient, we cannot hope to offset the wage advantage of foreign producers through higher productivity. The fact is that modern textile technology is world-wide in its application. Indeed, the machinery and equipment installed in the expanding textile industries of the developing nations are of the latest design, frequently obtained with the assistance of our foreign aid funds and the know-how of American machinery manufacturers. Since the textile industry is a labor-intensive industry, differences in labor costs assume critical importance in the competition between domestic and foreign textile products. Wages of production workers comprise 43% of the value added by manufacture in this industry compared to an average of 32% for all manufacturing industries:

Expansion of Textile Capacity Abroad

The vast expansion which has taken place in the textile capacity of the low-wage, low-cost areas of the world poses a real threat to the survival of the American industry. The number of active looms in place in Japan, Hong Kong and the less developed countries increased by 25% between 1960 and 1965, while the number in the U.S. declined by 15%. As a result, the weaving capacity of these expanding areas rose from 41% of the world total to 49% at the end of 1965. Today, more than half of the active looms consuming cotton and synthetic fiber are located in the low-wage countries.

There is no question that the textile mills of Japan, Hong Kong, and the developing areas of the world have the capacity to flood the American market with cheap textile products. The question is whether it would be in the national interest to permit this to happen.

Need for Action to Safeguard Domestic Jobs

The textile and apparel industry employed a total of 2,360,300 persons in the United States in 1966. Textile fiber producers employed an additional 2 million workers, including 104,000 engaged in the manufacture of synthetic fibers.

It is inconceivable that the United States Government would fail to take action to safeguard the jobs of the more than 4 million Americans whose livelihood is threatened by the massive influx of textile product imports.

The reductions in tariffs on fibers and textile products negotiated in the Kennedy Round will add to the distress of the textile workers and hasten the demise

of this vital industry. These duty reductions will average 12½% for textile products, with cottons to be cut by an average of 21%, man-made fibers and products by 15%, and wools by 2%.

The Textile Workers Union of America, AFL–CIO, has embarked on a program to alert the nation to the dangers we face. Last October our Executive Council adopted a resolution in which we urged the President and the Congress "to take immediate steps to impose restraints on imports of wool and man-made textiles and textile products . . . (and) to insure that the administraion of the Long Term Arrangement will be strengthened so as to prevent further disruption of our cotton textile markets and to forestall additional layoffs of textile workers."

On April 1, 1967 a conference of TWUA delegates from cotton, synthetic and wool local unions adopted a resolution calling attention to "the failure of the United States to achieve international regulation of trade in man-made fiber and wool products and the ineffectual administration of the international cotton textile arrangement."

Support of Hollings Bill (S. 1796)

We intend to utilize every resource at our command to impress the responsible officials of the Government with the urgent need for action. The time has passed for urging foreign governments to enter into voluntary arrangements to limit textile exports. Efforts to accomplish this purpose have failed. It is time for the United States Government to take unilateral action to safeguard the jobs of America's fiber, textile and apparel workers. The Textile Workers Union of America, AFL–CIO, wholeheartedly supports the bill introduced by Senator Hollings to impose quotas on the importation of certain textile articles (S. 1796).

This bill would limit the total quanity of textile articles imported into the United States in any calendar year to the average quantity entered during the years 1961–66. It would also permit the quantity of such imports to increase (or decrease) in proportion to the increase (or decrease) in United States consumption. Thus, it would provide a mechanism for permitting imports to share equitably in the expansion (or decline) in the United States market.

STATEMENT OF THE BRAIDED RUG MANUFACTURERS ASSOCIATION OF THE U.S., PRESENTED BY ALBERT TARABORELLI, EXECUTIVE DIRECTOR

My name is Albert Taraborelli. I am Executive Director of the Braided Rug Manufacturers Association which represents over 80% of the domestic production of braided rugs.

Because of our experience with the throttling effects of low cost imports and because these imports threaten the very existence of our industry, like many others, we very strongly favor quota legislation.

In our industry imports increased from 1.1 million square feet in 1957 to 139 million in 1966. In the same period, domestic production increased by only three million square feet.

In 1966 alone, domestic production dropped 27% from the previous year while imports increased by 16%. The domestic market increased by 6% in the same period.

Imports of braided rugs became significant in the year 1958. By 1960 imports had reached 55 million square feet and passed domestic production of 39 million square feet. Commanding 58.5% of the domestic market in 1960, imports continued to accelerate to their present level when they now command 80% of the total domestic market. It is significant to note that in share of market imports increased by 10% from 1965 to 1966 while domestic share of market dropped by 30%.

While the total domestic market for braided rugs nearly doubled since 1960, domestic producers of the braided rug which is an American conceived and developed product, find they are being denied the very market they created.

We do not have now or expect to have in the future an export market for our products. Nor does the braided rug, with its limited application, present any significant potential insofar as further market expansion is concerned.

Foreign made braided rugs are underselling a reasonably comparable American-made article by as much as 35%, the competitive advantage being solely lower foreign wage and material costs. Wage costs in the United States are about 4 times higher than in Japan, which accounts for over 97% of all imports of braided

rugs. Domestic producers' efforts to meet foreign competition, or at least reduce the competitive edge, through increased efficiency or output per worker were futile. The efficiency and productivity of foreign producers are at least equal to ours.

The braided rug industry finds itself caught in a squeeze between stagnated market growth on one side and accelerating imports on the other, and endangered by conflicting pressures brought on by increasing wage and production costs on one hand and the need to decrease costs to compete with low priced imports on the other.

Because of its high labor cost per unit of production the braided rug is extremely sensitive to import competition. A number of mills have already gone out of business and others will follow them if the swelling tide of low cost imports is not stemmed in the near future.

Foreign producers of braided rugs have not made any contribution to the style appeal of the product. Their merchandising technique has been to copy directly the most popular American styles, designs and colors. They produce copies of American rugs which have proven to be good sellers for the sole purpose of selling the same or a slightly cheaper quality at a much lower price.

Another important adverse effect upon the industry has been drops in employment and payrolls. The total number of hours worked in the industry has declined over the last several years. The loss of employment and income to our workers has reached alarming proportions. A recent survey made by this Association showed that not one plant in the industry was running at full or near full capacity. This situation will become progressively worse unless the ratio of imports to domestic production is reduced.

Of further concern to this industry is the further tariff reductions proposed by the recent trade agreements in Geneva. Cuts of 50% in some categories pose a very real and serious threat to the continued existence of the American braided rug industry.

It is obvious that present tariff rates, without the proposed reductions, are already inadequate to prevent further injury of a truly serious nature to our industry. Increasing imports, declining domestic sales and production, and general attrition of the domestic industry are clear indications that the position of the braided rug industry has worsened in recent months and years.

Over the years we have heard the impassioned promises of various government officials, from Presidents on down, that American industry would be protected from unfair competition. Within the last few weeks President Johnson said "at the same time, we, like other nations, maintain a fair and just concern for the well being of those industries and their employees who suffer unusual hardship from imports". Despite these numerous assurances we find ourselves overcome with frustration in seeking protection for our jobs and our investments. The Trade Expansion Bill devoted 20 of its 32 page to adjustment assistance. The succession of unanimous rejections of petitions from industry and workers only seemed to confirm the belief shared by many that the adjustment assistance provisions of the Act were offered, not as a sincere effort to help industry and workers, but as window dressing to attract support for passage of the Act.

Before that, the escape clause, even before it was emasculated in the present Act, was of little utility in providing relief for injured industries and workers.

As we reduce and remove our tariffs we further expose ourselves to an increasingly sharp competition from Europe and Japan. The great technological advancement of Europe and Japan has served to increase the competitive advantage of their lower wages. In effect, we reward those countries with low wage standards and penalize countries with high wage standards, all at the expense of American producers.

Administration spokesman express concerns that quotas might effect imports to the tune of 3.5 billion dollars, yet little if anything has been said about the high investments in domestic industry, jobs and skills that are being wiped out. They also express concern that with less imports coming in the higher prices of domestic goods would feed inflationary fires. We suggest that the answer to inflation lies with something else other than increased imports.

Another justification for increased imports is the lower prices they provide consumers. Consumers, being the beneficiaries of our economic system, are not entitled to bargains at its expense. If they want a high-wage, high-profit economy they must be willing to pay for them.

Our industry, agriculture and labor are being exposed to a form of foreign competition they cannot meet and yet sustain the income, the tax and the employment and wage base necessary to national progress.

The notion that puts its trust in exports as a source of employment expansion is a fallacious one. Exports, to be sure, are desirable and we need them but the contribution to employment from that source beyond present levels is small indeed. Since rising exports can be achieved only as a result of rising imports, unless we are willing to pay for the exports, as we are doing to a considerable extent even now, even this small contribution may not be made. It is hard for us to understand why we encourage a low employment activity, agriculture, at the expense of a much higher employment activity, manufactures.

Increasing imports, declining sales and production, and gradual attrition of the domestic industry are the principal criteria prescribed by statute for determining whether there has been serious injury to an industry. By all these standards, the position of the domestic industry producing braided rugs has worsened in recent years.

Since existing tariffs present no obstacle whatsoever to increased imports, we believe that an absolute quota on braided rugs is needed to protect the industry from further, even more serious injury in the future.

Import quotas are a recognized and widely used instrument for regulating imports. It is the constitutional function of Congress to regulate our foreign commerce. Yet, over the years, Congress has been slowly but surely abdicating its responsibilities in this area. We hope that this hearing will produce a reversal in this trend.

The effect of a quota would be to restore order to the domestic market by permitting producers in each foreign country to plan production with knowledge of the level of imports to be permitted in this country. The present rates of duty are low enough to permit unrestricted importation into this country within the quota limits but would relieve to some extent the pressure on domestic prices caused by imports, particularly in the medium and lower priced categories.

Last but not least, we would be politely telling our foreign friends that while we are willing to share our markets with them, we will not allow them to completely dominate them.

Testimony of James W. Pierson, President, the Work Glove Institute, Inc., Chicago, Ill.

Mr. Chairman and Members of the Senate Committee, I thank you for the opportunity to make this statement and thereby set forth the views of an industry which is primarily composed of small businesses.

My name is James W. Pierson, and I am President of the Work Glove Institute, Inc., a trade association representing about 70% of the domestic work glove production. This association has been in existence for approximately 65 years and its members are located throughout the United States.

I am also operating head of Brookville Glove Manufacturing Company, Inc., of Brookville, Pennsylvania.

The need for some kind of controls on imports in our industry has become increasingly apparent in the last several years. Prior to 1963, the impact of imported work gloves was not great and probably represented less than 5% of the domestic market. Beginning in 1964, imports of leather combination work gloves from Far Eastern countries began to grow, and in 1966, they represented more than 30% of the domestic consumption. This trend continues through 1967.

The reasons for this startling growth are immediately apparent. Work gloves are currently available from Japan, Taiwan, Korea and Hong Kong in Continental United States at prices approximating one-half cost of domestic production and including ocean freight, insurance, brokerage fees, etc.

There are today at least two dozen large trading companies in the Osaka, Japan, area who do a substantial business collecting work gloves from 300 smaller manufacturers (many of them are the home industry type) and handle the letters of credit, shipping documents, etc., as well as the contracts with the customers in the United States.

American glove manufacturers don't have to take a back seat to anyone for ingenuity, labor efficiency, productivity per man-hour, quality control and new products development, but we cannot compete with the products of the Far East until some future date when their living and labor standards are closer to our own.

There is such a wide discrepancy between production costs in the Far East and those in the United States that there is no question in my mind that in the foreseeable future, it is likely that Far Eastern work glove production can and will engulf our industry unless some means is found to stem the increasing flow of imports.

In the event this increasing flow of imported work gloves is allowed to continue without change and as a result thereof, there is a substantial decline in domestic productivity, and if we then should become embroiled in any kind of situation which would preclude the continuation of these products, it would be impossible on a practical basis to rebuild the domestic work glove industry in less than several years time.

In an established work glove facility, a minimum of six months training period is required to train new girls to sew gloves, and this is accomplished only with experienced people available as guides and instructors.

In the past, when new plants have been established, it has regularly required 2 to 3 years to produce any volume of work gloves on anything like a productive basis, it being kept constantly in mind that production of work gloves is a hand skilled operation. The early products produced by any new trainee are so poor as to require the necessity of several times the volume. My point is that if we allow our skills to evaporate in this area, they will not be something that will again be immediately available and certainly not in time to preclude some rather substantial dislocations in operations where work gloves are mandatory.

If we agree that we cannot compete and the importation of work gloves continues relatively unrestricted, the simple economic principles of business would indicate that it is only a question of time before our American glove producers will have to close their plants or convert them to products other than gloves.

The protection of the hands of American workers is too vital to the well-being of American industry to have to depend on the gloves coming from the Far East. During World War II, work gloves had the highest priority, even ahead of uniforms, simply because a shortage of even a few hundred pairs of gloves could delay the production line of vital war material. In this missile and precise electronic age in which we live, hand protection is more vital than ever.

Mr. Chairman, I again want to express my thanks in behalf of all domestic work glove manufacturers, and I want to urge you to do your utmost to assist the small businessmen whom I represent. We are not asking for any handouts or subsidies. All we want is an opportunity to compete while at the same time paying our workers a living wage.

STATEMENT OF THE SUPIMA ASSOCIATION OF AMERICA BY J. S. FRANCIS, JR., PRESIDENT

The SuPima Association of America has for many years represented the interests of extra long staple cotton producers in the four western states of Arizona, California, New Mexico and Texas. The production of extra long staple cotton by these several thousand farmers is historic, and has been a major enterprise in their regular operations. The farms in these four states now account for 70,500 acres allotted to extra long staple cotton. This acreage is less than ½ the acreage permitted in 1963, only four years ago. This represents a production loss of 89,786 bales on a basis of 1962–65 production yields and also a severe loss in production income.

While our U.S. producers have been forced to take this sharp cutback in production, foreign imports have been permitted to come in at the same high level without *any* dimunition whatsoever. Imports now exceed total U.S. production.

Those who grow and depend upon the production of extra long staple cotton for their livelihood, expend $3 per bale to promote and develop the domestic market for their cotton, only to see more than half the market turned over to foreign producers.

Gentlemen, this is an unfair situation. It needs to be corrected. We strongly support the efforts being made by this committee and we urge the enactment of cotton import quota legislation by the Congress. We do not believe that there is any justification for giving foreign producers more than a 25% share of the domestic market.

Attached to my statement is a draft of language in legislative form, which, we believe, is necessary to properly protect the American producer. You will note that extra long staple cotton imports would be limited to 25% of the American production. We feel this is more than generous. The record will show that few, if any, foreign products receive as much as 25% of our domestic market.

Long staple cotton farmers in this area are unable to find a satisfactory substitute for this important crop. In most instances, growers are obliged to plant low-income crops, cover crops, or even to idle this valuable and expansive land resource. We can give you every assurance that we can and we will place these 79 thousand acres and more, back into production of extra long staple cotton, if given the opportunity to do so.

It would appear that the only effective relief will be through Congressional action. Legislation to curb extra long staple imports will serve a vital economic need to our producers in the Southwest. It will also benefit our national economy and improve our balance of payments position by cutting the outflow of dollars for products we do not need.

We appreciate the opportunity to express our views on this most important subject.

ATTACHMENT NO. 1

"Be it enacted ....

That it is the policy of Congress that the aggregate quantity of extra long staple cotton having a staple length of more than 1⅜" but less than 1½", which may be entered or withdrawn from warehouse for consumption in the United States in any calendar year shall not exceed a quantity which is equivalent to twenty-five percentum of the domestic marketing quota for extra long staple cotton in effect for such year pursuant to the provisions of the Agricultural Adjustment Act of 1938, as amended. The Secretary of Agriculture shall determine and announce such quantity at the time he determines and announces the domestic marketing quota for such cotton and notwithstanding any other provision of law, the quantity of such extra long staple cotton which may be entered or withdrawn from warehouse for consumption in the United States shall not exceed the quantity so determined and announced."

STATEMENT OF NATIONAL RETAIL MERCHANTS ASSOCIATION, BY THOMAS F. BOWERS

My name is Thomas F. Bowers. I am merchandise manager of Kirby Block & Co., New York, a buying office for many leading department stores throughout the country. I appear before the Committee on behalf of the National Retail Merchants Association, which represents over 15,000 department, chain and independent specialty stores.

The National Retail Merchants Association is completely opposed to the quota bills being considered by the Committee in these proceedings. The enactment of any, or all of these bills, or of an omnibus bill covering several commodities, would be a ruinous venture for the United States, both in its relations with other nations and in the effect of such legislation upon the national economy.

We are particularly concerned and unalterably opposed to legislation such as S. 1796, which would impose quotas on virtually all textile and apparel imports.

We are opposed to the imposition of quotas for three paramount reasons:

1. The Kennedy Round was created to establish an orderly system of tariff concession, with those countries of the free world and the United States participating. These conferences were of a give and take nature. Regardless of whether or not some areas felt they were not treated fairly, the fact remains that a pact was made. Now, before the concessions have even had a chance to be applied, consideration is being given to the imposition of non-tariff barriers.

2. The successful retailer exists because he provides his customers with the merchandise they wish to buy. American retailers are buying more goods

abroad and foreign buyers are taking advantage of our markets. Quotas will have a devastating effect not primarily upon the retiler, but on the American consumer. Foreign made goods that are the most attractive either from the standpoint of price, quality or style will be the items that will suffer. The trinkets or novelty items will not share the same fate. It will be those very items that the American consumer favors most that will suffer because of the inability of the retailer to reorder. It is disconcerting to say the least, to tell a customer she cannot reorder by saying, "I'm sorry, the quota has been reached on that dress, coat or pair of shoes."

3. The consumer will also suffer because imports have made it necessary for domestic producers to become and remain competitive. Nothing gives the customer greater protection than the competition that exists between producers of consumer goods and, by the same token, distributors of these items. The American consumer is a critical buyer. If she cannot find what she wants at a price she wants to pay in one store, she will shop at another. The same situation prevails at the retail level. So, in the final analysis, while the retailer will suffer because of this proposal, the real victim will be the American consumer. Take away the competitive imports and you can be assured that the consumer will not only have less selection, but she will suffer, too, from higher prices.

In all of the controversy many people, I am afraid, have a distorted view of the amount of imports sold in American stores. They are not substantial, perhaps less than 8% of total sales, but they are important for the consumer and retailers.

Retailers have a vital economic stake in opposing proposed restrictions on the textile and apparel import trade. Beyond our immediate interest, however, we believe that we are entitled to speak for our customers, the American consumer. In the chain of production and distribution, the retailer stands closest to the consumer. We are in effect purchasing agents for consumers and in our merchandising must reflect their needs, tastes, and the requirements of their budgets. And we must be the consumer's advocate in anything that might affect the right to freedom of choice in the market place.

The question of quotas is a vital bread and butter issue for the American consumer. The Congress and this very committee have many times recently voiced concern over protecting the consumer against the selfish interests of those who would profit at the expense of the consumer's rights. We trust that this Committee and the Congress will keep that same concern for the consumer in these present deliberations.

We are profoundly convinced that restrictions on textile and apparel imports would vastly accentuate an already evident inflationary trend in the price of apparel and put an additional strain on the consumer. We are talking about clothing, a very basic item in the budget of every consumer—rich or poor. Every American consumer—from the urban poor to the middle class families bringing up their children in the suburbs—would be hurt where it counts; in the pocketbook.

The inflationary impact of quota legislation is manifest. The consumer price index for apparel and upkeep jumped from 106.8 in 1965 to 109.6 in 1966. In the last half of 1966 and on through 1967, the index continued its upward movement and stood at 114.2 in July 1967 on a seasonally adjusted basis, almost five points above a year earlier. Without imports to relieve the extraordinary demand of last year, we believe the index would have been driven substantially higher. According to calculations made by a computer, the proposed quotas on textile products would result in price increases of from 15% to 25% on such products.

Reduction in absolute volume of imported textile and apparel products would unquestionably entail further increases in price levels to retailers and ultimately to the consumer. It is not only in finished apparel items that price would be affected but also in products of domestic garment manufacturers, since they would experience higher costs for imported textile raw materials or semi-manufactures.

Increased price levels seriously affect the profit margin of retailers and ultimately, the consumer would pay the bill.

Furthermore, discipline of imports in the marketplace has encouraged efficiency and realistic pricing on the part of domestic textile and apparel manufacturers. The availability of imports has had an effect far exceeding their dollar value, resulting in both direct and indirect savings to the consumer. In some areas, there is a virtual monopoly on the part of domestic manufacturers and one can only shudder at the effect of a withdrawal of competitive imports on price levels.

With or without a tax increase, inflation remains the most serious threat to a continued economic growth without violent fluctuations in the performance of the domestic economy. Certainly, in this period, it would not appear to be in the national interest to take a course which can only lead to inflated prices in a basic ingredient of every family budget.

Furthermore, retailers would find it much more difficult under a quota system to meet consumer demand for the newest in fashion, for style items and for the variety and novelty which every retailer must show on his racks. These qualities in many instances are to be found only in imports or have been stimulated by imports. Our buyers literally shop the world to bring to the American consumer the latest in style and design. Consumers have become sophisticated in their demands. They are exposed to, and want, the latest fashion trends originating in London, Paris and Rome. In the women's wear field, the Italian knits have set the style, created a demand, and revolutionized the women's clothing industry. In men's clothing, silk-worsted fabrics from Japan have been the pacesetters. British tweeds and French high couture have a market all of their own. Quality and style at reasonable prices are frequently more readily found in imported apparel.

Quota systems in the past have proven a serious impairment of the ability of retailers to supply their consumer's needs for fashion and style at reasonable prices. Because quotas are based upon historical performance, they most severely affect new items without an import history, thereby quashing one of the most important benefits of imports—innovation.

Congress should certainly not ignore consumer interests in the matter of import quotas. But neither should it ignore the interest of the retail industry—a vital and productive segment of our economy. In 1966, $304 billion flowed through retail establishments. The apparel group stores alone sold some $17 billion worth of merchandise last year. Department store and mail order houses together handled another $29 billion worth of business. Our industry employs about ten million people, a large part of them women. We are a growing industry and an increasingly significant employer as more of our labor force is devoted to the service industries, including retailing.

The proposed quotas on textiles and apparel would severely damage retail business. Certainly, the anti-inflationary effects of imports stimulate sales on the most basic of economic factors—price; and we doubt whether our sales would be as great without the style, fashion, and variety factors achievable only through a liberal import policy.

Beyond these basic factors, however, the mere operation of quotas would severely disrupt our business. Ours is a seasonal business with timing and reliability of source of supply factors of overriding importance. Quotas are a retailer's nightmare. Our experience under the cotton textile quota and the earlier tariff quota on wool textiles has been enough to convince us that they are completely disruptive of normal business. Quota time periods do not and often cannot coincide with periods of peak demand. Certain items are unexpectedly cut off and normal sources of supply overseas are disrupted as quota runs in one place and the world is scoured for available quota. You must understand that quotas are not only administered on a country-by-country basis but that in each country there are complicated, confusing and completely frustrating arrangements under which quota is allocated among individual manufacturers. Sometimes not only the manufacturer is allocated quotas but a double allocation system must be set up so as to include intermediate distributors, such as foreign exporters and American importers.

Normal retailing simply cannot exist under such circumstances. We are not only subject to the difficulties of competing in the marketplace, but must await the results of sometimes protracted diplomatic negotiations and watch our market plans go up in smoke as we attempt to plod through bureaucratic red tape.

Let us put these assertions in perspective. The American consumer spends over $40 billion a year on clothes at current rates. The FOB value of imports of textiles and apparel is about $1½ billion. At retail value, imports probably account for from $3 to $4½ billion worth of sales. One must add to the FOB value: duty, transportation, commissions, overhead and the value added to imported semi-manufactures by further manufacture.

The quota measures before this Committee would, according to a rough calculation, decrease the absolute level of imports by about one-third. The uncertainty in calculating the absolute level of reduction results from the provision for quotas by category. Because of the same factor, quotas by category, the quotas proposed would drastically reduce growth in imports. The absolute reduction in

import levels together with impediments to growth would entail substantial reduction of textile and apparel imports over the next several years.

We believe that the domestic textile and apparel industries are strong, resilient and well able to compete in the market. The Tariff Commission, in the Section 332 investigation requested by the President and Mr. Mills, will take a careful look at the impact of imports upon the domestic textile and apparel industries. We are confident that this study will clearly indicate that imports have not disrupted or injured the domestic industry. The domestic industry is far and away our largest supplier and we know that in most areas they hold a commanding position. This is particularly true in items where mass production by capital intensive manufacturing processes are most competitive.

It is also true in the fastest growing area in clothing—sport and casual garments where the American flair for design and style to meet our tastes is unique and unchallengeable.

We have talked thus far of our interest both as retailers and as agents for the consumer. The implications of these bills, however, as has been made clear by previous testimony, go beyond the immediate interests of any group in the economy. Such legislation would sabotage a trade policy which has received the support of Republican and Democratic Administrations since the 1930's and sour our relations with the rest of the world. In this period of crisis in the world one path is clearly unwise—that of disrupting the real progress that has been made in bringing the economies of our allies closer through the gradual reduction of barriers to international trade. Enactment of restrictive legislation would violate our international obligations under the General Agreement on Tariffs and Trade and would also violate the terms of the Long-Range Agreement on Cotton Textiles. We do not believe that these obligations and commitments of the United States should be taken lightly.

The Kennedy Round was a great accomplishment for the U.S. and did a great deal to enhance our relationships with other nations. Our motives were the best—to encourage free world trade and the development of trade and industry in other nations of the free world. Unimpeded foreign trade is far preferable to foreign aid, for both the U.S. tax payer and for the other nations affected. Now, if we turn around and impose restrictive quotas on the very goods other nations most want to trade with us, they cannot but question our motives. They are going to retaliate against U.S. goods and, in the long run hurt many more U.S. industries than quotas will ever help.

It is ironic that at the moment when world trade with all its attendant benefits for workers, consumers, farmers and many businesses should have made its most significant step forward, that a liberal trade policy has again come under attack. In the last sixty days it has become evident that the major U.S. industries are joining together to mount a massive assault on this country's historically liberal trade policy.

It behooves the United States, in our long-run interest, to approach this problem with a seriousness of purpose and a resolve not to retreat, but to proceed further in the difficult problems involved in tariff and non-tariff reduction. Our energies should turn to the next round of negotiations instead of jeopardizing results so difficult of achievement.

We urge in our own right as retailers, as spokesmen for the consumer and as citizens, that the Congress reject the conspiracy of interests that would turn the clock back to a concept rejected by the United States 35 years ago as unsuited to our obligations, responsibilities and opportunities in a modern interdependent world.

Thank you.

CITY STORES CO.,
New York, N.Y.

HON. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR RUSSELL: Your Finance Committee will open hearings on October 18th on the matter of textile quotas that would hold imports of textile products to the average quantity imported for the 1961–66 period. The quotas would apply to textiles made of natural and man-made fibers.

I would like to urge that you strongly oppose the imposition of quotas as they violate every good principle of retailing and merchandising. Inability to obtain reorders or resupply of wanted merchandise would really harm not only the retailer, but the shipping industries and port cities of this country.

If an industry in this country needs protection, tariffs are a much more sensible way to afford them this protection. Then, the retailer or the consumer would have the choice of whether or not to pay the price and, if they decided to pay the price, the continued supply of the merchandise would be available. Quotas, on the other hand, cause injuries to all parties described above.

I hope that you will agree with my position and see to it that additional onerous quotas are not imposed on textile products.

With kindest personal regards, I am

Sincerely,

I. NEWMAN, II.
President.

NATIONAL OUTERWEAR & SPORTSWEAR ASSOCIATION, INC.,
New York, N.Y.

Mr. THOMAS VAIL,
Chief Counsel,
Senate Committee on Finance,
New Senate Office Building,
Washington, D.C.

DEAR MR. VAIL: Have been advised that you are beginning hearings on October 18th regarding foreign trade quotas which I believe refers to the bill introduced by Senator Hollings.

For many, many years we have been a strong advocate of global quotas on all of these products which threaten our domestic industries. I have been advised that our State Department has 30 bilaterial contracts regarding the importation of textiles and apparel and having looked through some of them I find that these bilateral agreements which have been entered into recently and run for periods through 1970, have all made provisions for acceleration of the imports from these countries. I am endeavoring to find out from the Commerce Department what the aggregate escalation amounts to in these bilateral contracts, both in square yards and in units of apparel.

It is totally unsatisfactory to deal with one country after another unless these countries are already within the framework of global quotas. For each contract providing for escalation means bringing that many more square yards or units of apparel into the country without an aggregate check of what that amounts to.

I am aware of the fact that many bills have been introduced into the House of Representatives, as well as the Senate, in an endeavor to control the importation of textiles and apparel, and as you know, the President has asked the Tariff Commission for an overall study of same. Our own Industry is not in as healthy a state as we would like it to be and if the importation of textiles and apparel is not controlled, we will find a wave of unemployment in this highly important Industry.

I will not be able to appear before the Committee and therefore trust this letter will be given consideration.

Very respectfully yours,

JULES GOLDSTEIN.

STATEMENT OF THE AUSTRALIAN WOOL TOPS EXPORTERS, SUBMITTED BY J. F. O'BRYAN, AGRICULTURAL ATTACHÉ

J. A. Michell for G. H. Michell & Sons, Ltd., Adelaide
A. B. Oliver for James Seymour and Co., Melbourne
S. S. Neville, for Port Phillip Mills, Melbourne
C. Grimshaw for J. W. Allen Pty. Ltd., Sydney

The parties to this submission represent all the major Australian exporters of wool tops to the United States. We express our gratitude at this opportunity to present our views to the United States Senate Finance Committee.

A wool top is raw wool scoured and then combed so that all fibres are laid parallel to each other with all impurities such as vegetable matter and short fibres removed. Wool in wool top form is ready for spinning into worsted yarn (i.e. yarn for the manufacture of suitings, etc.).

Australia is now the principal overseas supplier of wool tops to the United States market and in 1966 supplied 5.7 million pounds of wool tops valued at U.S. 7 million—almost 60 per cent of total United States imports of wool tops. Uruguay is the second largest supplier.

Legislation now before the United States Congress would restrict annual imports of wool tops to the average of that for the six calendar years from 1961

to 1966 inclusive. Over this six year period total United States imports increased from 3.8 million pounds to 10.3 million pounds. Over the same period, however, United States raw wool production has fallen drastically. Sheep numbers declined from 33 to 25 million head and United States wool production (greasy basis) fell from 294 million pounds to 218 million pounds. Despite this sharp fall in U.S. raw wool production, however, United States production of wool tops increased significantly. By 1966 production had reached a level of 155 million pounds which was over 30 per cent higher than production in 1960 and almost 20 per cent higher than the 1961 level. In other words, increased imports of wool tops have co-incided with a fall in United States raw wool production and an increase in U.S. wool tops production.

From this situation it would appear that imported wool tops which are in fact wool in a form suitable for immediate processing do not directly compete with United States production but rather are complementary to it in supplying an essential raw material to the United States wool textile industry. If imports of wool tops to the United States were restricted and if the United States industry could not in fact make up the deficiency so created then it could mean that the supply vacuum could be permanently taken up by man-made fibres, such as orlon, dacron, acrilan and nylon. Such a situation would be detrimental to the use of wool in the United States and thus run counter to the interests of the United States woolgrower and the wool textile manufacturing industry.

The traditional international method of protection from overseas competition is through the import tariff. Both the Australian and United States governments have subscribed to this principle in the General Agreement on Tariffs and Trade. In this respect United States producers of wool tops have one of the highest levels of tariff protection in the world. The tariff is 27.75 cents per pound plus 6.25 per cent ad valorem. This gives a total ad valorem protective incidence of about 30 per cent. It is recognized that part of this tariff is designed to compensate U.S. producers for the higher cost of their raw wool. Nevertheless this situation compares with duty-free entry afforded to wool tops by Britain and Japan and a 3 per cent tariff by the European Economic Community.

Although the United States reduced the level of import tariffs on many textile products in the recently concluded G.A.T.T. Kennedy Round of Trade Negotiations, no reductions were in fact made in the tariff rates on woolen textiles including wool tops. Moreover the value of wool tops imports to U.S. production is quite small. As a proportion of United States production they have never exceeded 6.5 per cent in any year, the average over the six years 1961–1966 being 4.2 per cent. However, since the United States takes about 20 per cent of Australian wool tops exports any limitation of United States imports would be quite disadvantageous to Australian top makers.

The Australian wool top exporters consider therefore that it would be detrimental to the interests of wool in the United States and those Americans who produce raw wool and wool products if restrictions were to be imposed on wool tops such as those now contemplated under legislation in the United States Congress.

We again thank the Chairman and members of this Committee for enabling us to put our views forward.

UTAH WOOL GROWERS,
Salt Lake City, Utah.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: This is to advise that the Utah Wool Growers Association strongly endorse the position taken by the National Wool Growers in connection with S. 1588 and S. 1796. These bills will be covered in hearings now scheduled for October 18–19–20, 1967, and we urge that the position taken by the National Wool Growers in connection with this important legislation be adopted by your committee.

Thanking you for your consideration, I am

Very truly yours,

MARCELLUS PALMER,
Executive Secretary.

(A bill, S. 1588, to revise the quota-control system on the importation of certain meat and meat products, follows:)

MEAT IMPORTS*

90TH CONGRESS
1ST SESSION

S. 1588

IN THE SENATE OF THE UNITED STATES

APRIL 20, 1967

Mr. HRUSKA (for himself, Mr. CURTIS, Mr. AIKEN, Mr. ALLOTT, Mr. BENNETT, Mr. BURDICK, Mr. CARLSON, Mr. CHURCH, Mr. DIRKSEN, Mr. DOMINICK, Mr. EASTLAND, Mr. FANNIN, Mr. HANSEN, Mr. HARRIS, Mr. HATFIELD, Mr. HICKENLOOPER, Mr. HOLLAND, Mr. JORDAN of Idaho, Mr. LAUSCHE, Mr. MANSFIELD, Mr. MCGEE, Mr. MCGOVERN, Mr. METCALF, Mr. MILLER, Mr. MONRONEY, Mr. MONTOYA, Mr. MOSS, Mr. MUNDT, Mr. PEARSON, Mr. STENNIS, Mr. TOWER, Mr. YARBOROUGH, Mr. YOUNG of North Dakota, Mr. BIBLE, Mr. CANNON, Mr. INOUYE, Mr. KUCHEL, Mr. MCCARTHY, and Mr. TALMADGE) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To revise the quota-control system on the importation of certain meat and meat products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) it is the policy of the Congress that the aggregate
4 quantity of the articles specified in items 106.10 (relating to
5 fresh, chilled, or frozen meat) and 106.20 (relating to fresh,
6 chilled, or frozen meat of goats and sheep (except lambs))
7 of the Tariff Schedules of the United States which may be

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*Witnesses testifying on this subject, pp. 710–776.
Communications received by the committee on this subject, pp. 776–817.

1 imported into the United States in any calendar year begin-
2 ning after December 31, 1967, should not exceed 585,500,-
3 000 pounds; except that this quantity shall be increased or
4 decreased for any calendar year by the same percentage that
5 estimated average annual domestic commercial production of
6 these articles in that calendar year and the two preceding
7 calendar years increases or decreases in comparison with the
8 average annual domestic commercial production of these
9 articles during the years 1958 through 1962, inclusive.
10 (b) Before the beginning of each calendar year after
11 1967, the Secretary of Agriculture shall estimate and publish
12 the aggregate quantity prescribed for such calendar year by
13 subsection (a).
14 (c) (1) The President shall by proclamation limit the
15 total quantity of the articles described in subsection (a)
16 which may be entered, or withdrawn from warehouse, for
17 consumption during each quarter of any calendar year to
18 one-fourth the aggregate quantity estimated for such cal-
19 endar year by the Secretary of Agriculture pursuant to
20 subsection (b).
21 (2) The Secretary of Agriculture shall allocate the
22 total quantity proclaimed under paragraph (1), and any
23 increase in such quantity pursuant to subsection (d),
24 among supplying countries on the basis of the shares such
25 countries supplied to the United States market during a rep-

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1 resentative period of the articles described in subsection (a),
2 except that due account may be given to special factors
3 which have affected or may affect the trade in such articles.
4 The Secretary of Agriculture shall certify such allocations to
5 the Secretary of the Treasury.
6 (d) The President may suspend any proclamation made
7 under subsection (c), or increase the total quantity pro-
8 claimed under such subsection, if he determines and pro-
9 claims that—
10 (1) such action is required by overriding economic
11 or national security interests of the United States,
12 giving special weight to the importance to the Nation
13 of the economic well-being of the domestic livestock
14 industry;
15 (2) the supply of articles of the kind described in
16 subsection (a) will be inadequate to meet domestic
17 demand at reasonable prices; or
18 (3) trade agreements entered into after the date
19 of the enactment of this Act ensure that the policy
20 set forth in subsection (a) will be carried out.
21 Any such suspension shall be for such period, and any such
22 increase shall be in such amount, as the President deter-
23 mines and proclaims to be necessary to carry out the purposes
24 of this subsection.
25 (e) The Secretary of Agriculture shall issue such regu-

1 lations as he determines to be necessary to prevent circum-
2 vention of the purposes of this section.
3 SEC. 2. (a) Whenever the President determines that
4 the imposition of quotas on the quantity of any article enu-
5 merated in subpart B of part 2 of schedule 1 of the Tariff
6 Schedules of the United States (relating to meats other than
7 bird meat), other than the articles enumerated in items
8 106.10 and 106.20, is necessary in order to prevent unwar-
9 ranted increases in the quantity of such article imported
10 into the United States, he is authorized—
11 (1) to determine the total quantity of such article
12 which may be imported into the United States during
13 such period or periods as he may specify, and
14 (2) to limit, by proclamation, the total quantity
15 of such article which may be entered, or withdrawn
16 from warehouse, for consumption during such period
17 or periods to the total quantity so determined.
18 (b) The President may suspend any proclamation made
19 under subsection (a) and may increase or decrease the total
20 quantity proclaimed with respect to any article under such
21 subsection.
22 SEC. 3. Prior to the beginning of each calendar quarter.
23 the Secretary of Defense shall certify to the Secretary of
24 Agriculture an estimate of the quantity in pounds of meat to
25 be accepted for delivery during such quarter, procured from

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1 appropriated funds by the Defense Department from foreign
2 sources, of any of the articles with respect to which quanti-
3 tative limitations have been imposed on imports under the
4 provisions hereof. The quotas established pursuant to sec-
5 tion 1 or section 2 hereof shall be diminished by the amount
6 of such meat to be accepted for delivery as estimated by
7 the Secretary of Defense.

8 SEC. 4. All determinations by the President, the Secre-
9 tary of Defense, and the Secretary of Agriculture under this
10 Act shall be final.

11 SEC. 5. Effective January 1, 1968, section 2 of the Act
12 entitled "An Act to provide for the free importation of cer-
13 tain wild animals, and to provide for the imposition of quotas
14 on certain meat and meat products," approved August 22,
15 1964 (Public Law 88-482), is repealed.

Senator CURTIS. Our next witness this afternoon is my distinguished colleague from Nebraska, Senator Hruska. Senator Hruska is the principal introducer of a measure relating to the importation of meat. He has been active in this legislation for many years. He comes from a city which is the largest meatpacking center in the world. He is well qualified to speak on this subject and we welcome you, Senator Hruska, and you may proceed.

STATEMENT OF HON. ROMAN L. HRUSKA, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator HRUSKA. Thank you, Mr. Acting Chairman, and my good and valued colleagues.

First of all, I have filed with the committee a statement which I request be inserted in the record in its totality.

Senator CURTIS. Without objection, it will be inserted.

Senator HRUSKA. And I will undertake to summarize it very briefly. Before I embark upon that task, however, I want to thank the committee very much for the accommodation that they have arranged on my behalf to appear today instead of tomorrow. Official duty will take me away from the city tomorrow and this accommodation is very, very much appreciated.

The second commendation I should like to make of the committee is its treatment of the 1964 bill which is now known as Public Law 88-482. The hearings were very satisfactory from the standpoint of giving all points of view an opportunity to be expressed and the considerations which followed, including the conference committee actions, are always very much appreciated.

Now, Mr. Chairman, tomorrow there will be two witnesses who will treat in some depth and some detail with the justification for import quotas on meat. One is C. W. McMillan, executive vice president of the American National Cattlemen's Association, which headquarters in Denver, Colo., and then Don Magdanz, who is with the National Livestock Feeders Association, which has its headquarters in the city of Omaha.

Now, the bill which ripened into Public Law 88-482 was a compromise, as most legislation is. There is much in it that was not desired by the original authors and proponents of the bill that was introduced. There were predictions and many of them as to the impracticality of certain aspects of the bill and there was general agreement that we ought to try it, see how it works, review it periodically, and revise it if necessary. We are now at that point in my judgment.

Now, there are several defects in the existing law. I shall enumerate them and then in the same order indicate what the present bill, S. 1588, would do to correct them.

First of all, the quota set under Public Law 88-482 is much too high. It took the high period of our imports of meat, that is, the period from 1959 to 1963, as a base. Added to that was a growth factor and added to that was a 10-percent-tolerance figure. So that the base quota of 725 million pounds was adjusted upward for trigger purposes to 995 million pounds, a level of imports not too far from what the high point was in 1963 and 1964.

So in the first place, the quota is too high.

Second, the procedure for implementing and making effective the present law is dependent upon secretarial estimates, and they have been notably off base. That is not meant for a criticism of the Secretary personally or of the functioning of his Department. Rather, it is an indication of the difficulty of furnishing, in advance, accurate estimates of imports.

The third point I would like to make is the inadequacy of an annual quota, and the harm that could be done to our markets if the quotas were made effective. The fourth point is that the coverage should be revised. It should go beyond the fresh chilled, and frozen meat and include other types of meat—lamb and pork, and canned meats as well, but on a discretionary basis.

And the fifth point is that the present law does not include offshore military procurement.

In the order that I have named those points, let me outline briefly to the committee the provisions that are in S. 1588. First of all, as to the size of the quota. There would be an elimination of the 10-percent-tolerance factor. The base period of 1959 to 1963, which was averaged out as 725 million pounds, would be deleted and inserted in its place would be a base period of 1958 to 1962, which is a figure of 585 million pounds.

Second, as to the secretarial estimates, they would be totally eliminated from the machinery of this act. They serve no useful purpose. It seems to me, Congress in this instance can establish a national policy in terms of a quota, and when it is filled the law would go into effect.

Third, instead of having an annual quota there would be a quarterly quotas, and the purpose of that is to stabilize and level out in the marketplace the impact of the imposition of a quota so that there would not be a tremendous buildup of imports in the first part of a calendar year and no imports during the balance of that year. If the quota were imposed in four segments rather than in one, the impact of it would be much smoother.

On the fourth point as to coverage of the bill, lamb, pork, and canned meats should be included and are in the bill on a discretionary basis. We had in mind the prevention or the avoidance of what happened in the dairy field imports where a different form of import was resorted to in order to evade the purpose of the quotas on imports. If there is a discretionary power vested in the President, he can prevent any resultant abuse.

Senator CURTIS. If you will permit an interruption right there, and I do want you to proceed with your statement—it is pertinent to call attention to the fact that the EEC are now paying an export subsidy on canned ham of something over $48 per hundred kilos which means about 50 cents for a 2-pound can of ham. That certainly is an unfair invasion in our market when foreign governments pay out of their treasury to encourage exports into this country.

Senator HRUSKA. Yes. That is an example which could be dealt with and perhaps adjusted in some fashion if discretionary power does exist.

And then finally, the offshore procurement. If there is any offshore procurement for military purposes, particularly for use in Vietnam, it would be wise to charge those purchases against the imports be-

cause certainly if the boys were at home instead of in Vietnam, that consumption would occur here. That is the market to which this country is entitled rather than to some other market. We had the example of a 10-million-pound order for lamb earlier this year placed with Australia and New Zealand. That is lamb to be sure, rather than beef. As to beef, in January 1966, when the price of cattle fortunately and happily, got to a point where it was profitable, some people could not stand such prosperity in the hands of the cattle farmer, and so there was an effort made to have purchases made overseas and particularly in Europe, to be made from other sources than domestic sources. A provisions to charge offshore procurement against the quotas is in this bill.

Mr. Chairman, this proposal is a reasonable one. It is a workable one. There is no effort being made to close out and embargo imports. There is a fair and, if anything, still too high a ceiling placed upon imports in the bill, and it still permits a growth factor for imports. We believe it is an improvement on the present law. Certainly, if it will afford any improvement in the plight of the farm industry as we know it now, it should be adopted and without too much delay.

I will not go into the statistics describing what is happening to agriculture. It is well known to those of us who live with it. With the parity ratio at about 73, which is the lowest since 1933, and with the price level per hundredweight for cattle being no higher than 20 years ago, whereas the cost of production is so much greater, I think the committee knows that any assist to agriculture will be helpful indeed.

In the cattle business there are 34 States that have a million head of cattle or more. Every part of the agricultural picture is affected by the livestock market and it is the largest single item of income in the agricultural field. Mr. Chairman, I have here a copy of a letter from the Nebraska Stock Growers Association, signed by S. K. "Bob" Hanna, vice president, and Mr. E. H. Shoemaker, Jr., president of that association, dated October 16. I should like to request that it be incorporated in the record at the conclusion of my remarks. (See p. 715)

Senator CURTIS. Without objection, so ordered.

Senator HRUSKA. That will conclude my summary, Mr. Chairman, and I will be happy to respond to any question if there are any.

Senator CURTIS. Does the manuscript that you submitted for the record contain a copy of S. 1588?

Senator HRUSKA. The text of it is not included and I request that at the outset of my remarks, that a copy of S. 1588 be included.

Senator CURTIS. Without objection, so ordered, and if the staff will take due notice, I think they should include the caption of the bill so it shows the cosponsors as well, because it indicates the wide interest.

(The text of S. 1588, with cosponsors, appears at p. 705.)

Senator HRUSKA. Yes, and I should like to acknowledge the cosponsorship of 38 Senators. They are all equally concerned and I know some of them plan to file statements with the committee.

Senator CURTIS. Senator Carlson?

Senator CARLSON. Mr. Chairman, I appreciate very much the appearance of the senior Senator from Nebraska, Mr. Hruska, with regard to the pending legislation, with regard to the importation of beef. The distinguished Senator from Nebraska was very influential

in securing approval of Public Law 88–482, and we have had 3 years' experience with this legislation. Does not the Senator feel it will take a little time to review the effects of it on the imports of beef, on the effect on the cattle markets as a whole, and also its effect on the consumers?

Senator HRUSKA. The effects of this bill on the consumer?

Senator CARLSON. And the cattle industry and the amount of imports as you feel it might affect——

Senator HRUSKA. Well, that subject will be covered in greater detail by both Mr. McMillan and Mr. Magdanz and I have read their statements and they will treat with it much more fully. By way of highlighting that, the thing that the consumer has at stake is a reliable quality of meat product furnished in ample and in timely fashion by the livestock industry. The question that will eventually confront the Congress is this: How long can the cattle industry continue to survive and function under the very adverse economic conditions which it is suffering now? And one of the factors is this factor of the imports. Mr Chairman, I know of no warrant for the consumer in American to expect that he can continue to buy a product for less than it costs to produce it, and that is precisely what is happening in the livestock industry.

Years ago we had the sweatshop in our larger cities in the eastern part of the Nation particularly. But the philosophy spread that no wearer of a shirt or a suit or of shoes or socks would be entitled to buy that article for less than the cost of a fair living wage to those who work at the business of fabricating those articles. So we got rid of the sweatshops.

Now, unless something is done to provide a living wage to those working in the livestock industry, then we are going to run the danger of badly impairing that industry as a producing factor in the national economy.

Senator CARLSON. Well, does not the Senator agree with me that the livestock industry of this Nation is in a position and will furnish high quality food products in the form of beef and pork and mutton, lamb products, if given an opportunity to do so at a price that the consumer can easily afford to pay?

Senator HRUSKA. The price of these articles in some instances has increased, but the farmer is getting less for his share as time goes on. I know the Senator from Kansas is well aware of the problems attaching to it because Kansas is a great cattle State. The first of this year Nebraska had just a little over 6 million head of cattle and Kansas was the fourth State in cattle numbers with 5 million head. That is a very significant part of the economy of Kansas as it is in Nebraska.

Senator CARLSON. We are the No. 1 wheat producing State in this Union, growing about 25 percent of the winter wheat of this Nation, but even at that, production of livestock is still our largest industry and when it comes to dollar income and, therefore, it is so important not only to our State but to the Nation as a whole.

I have just returned from Kansas and I can state definitely that the livestock producer and feeder are really suffering at the present time. There is not any question about it based on the markets. And they are very critical of the imports that they think are taking the place of the products that they should be permitted to produce and sell in this Nation.

Senator HRUSKA. I have one more request, Mr. Chairman. Are there any further questions, first?

Senator CURTIS. Proceed, and then I have some questions.

Senator HRUSKA. I have one more request. There were some witnesses here yesterday, including the Secretary of Agriculture. I should like the privilege of supplementing my prepared statement, which I filed with the committee, to make comments on some of his points. I am confident that we would buy his philosophy generally as to the necessity of foreign trade, but I think he would make a much stronger case in the field of agriculture had there been any degree of success in securing foreign markets for the exportation of American agricultural products.

In that regard the Kennedy round of negotiations was a complete and abject failure and the variable fee system employed by the European Common Market on our grains and other agricultural products just does not give us any hope at all for maintaining our export market. When we get that kind of treatment from the other side of the water and then get walked over from the standpoint of imports from the other countries, it just does not make sense.

Senator CURTIS. Without objection, your supplemental statement will be received and printed in full. I wish to commend my colleague for his presentation here and the sponsorship of this bill. Is it the opinion of the Senator that the economic situation is such generally in agriculture and particularly in the livestock industry that this legislation is needed?

Senator HRUSKA. Yes. I am confident of it. We were grateful for the original act but obviously it is insufficient and this revision is badly needed.

Senator CURTIS. Does the Senator feel that a healthy and prosperous livestock industry that has some assurances of remaining in such a condition is in the interests of the consumer in the United States?

Senator HRUSKA. There is no question about it, and as the years go on, Mr. Chairman and members of the committee, the importance of that point will be greater and greater as our population will continue to grow. Certainly by the next 30 years or so we will have 300 million people instead of 200 million people and fewer acres upon which to produce the food necessary for that enlarged population, and, of course, that growth of population is occurring all over the world.

Senator CURTIS. Is it not true that the average factory worker in the United States pays for his food with wages from fewer hours of labor per month than he ever did before and much fewer hours than a worker in any other place in the world?

Senator HRUSKA. That is correct. He is paying less of the percentage of his pay check for food and it is better food and it is higher quality food and part of that is because he is getting paid so much better than he used to. On the other hand, that prosperity which he has shared and virtually every other segment of the American economy has shared has been denied to agriculture and to the farmer and rancher.

Senator CURTIS. Now, from the standpoint of the countries that are seeking a greater share of the American market for meat, if their sales to the United States are reasonably curbed, it will naturally cause them to seek markets elsewhere, is that not true?

Senator HRUSKA. Yes; that is right.

Senator CURTIS. And the elsewhere is the rest of the world that has a diet that is deficient in protein, is that not right?

Senator HRUSKA. Correct. That is well established and widely recognized.

Senator CURTIS. Do you have any questions?

Senator BENNETT. No. I was not able to be here to hear the testimony of my colleague, so obviously, I have no questions. I know he did a good job anyway.

Senator HRUSKA. Thank you, sir.

Senator CURTIS. We think you have a good proposal.

Thank you.

Senator HRUSKA. Thank you, Mr. Chairman, and thank you again for accommodating my appearance here before this committee.

(The letter referred to by Senator Hruska, and the Senator's prepared and supplementary statements follow:)

NEBRASKA STOCK GROWERS ASSOCIATION,
Alliance, Nebr.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: Representing Nebraska's cattlemen through our Nebraska Stock Growers Association, we urge you and the Senate Finance Committee to enter on record and present testimony supporting meat and meat products import legislation designed to attain the following objectives:

1. To adjust the base period for determining quotas to "1958–1962" from the present "1959–1963" peeriods;
2. To include the quota, all offshore purchases of meat and meat products, including purchases for military use;
3. To establish a 100-percent of quota "triggering point" rather than the 110-percent of quota presently used;
4. To require the imposition of quota-restrictions if one-fourth of the annual quota is exceeded in any quarter, and continue requiring quarterly USDA import estimates;
5. To include lamb with meats covered in the present quota; fresh, chilled and frozen beef, veal, mutton and goat; and,
6. To include canned, cured and cooked meats in the import quotas.

We request these measures, not intending to entirely curtail such imports; but rather, to maintain imports at a realistic level. Cattlemen in Nebraska and other beef-producing states are voluntarily coordinating through our American National Cattlemen's Association to reduce beef numbers and other production-volume. We cannot realistically expect improved prices if the importation of meat and meat products is not restricted. When upward fluctuations of import-volumes rise above quarterly quota estimates, it produces the unique effect of depressing domestic livestock prices.

Continuously depressed markets for the livestock industry compared to the improved economic status of other business can induce consequences deleterious to the stability of America's heretofore prominently superior recognition among World Powers; therefore, it is imperative that the recommended remedial legislation be swiftly administered.

Sincerely,

E. H. SHOEMAKER, Jr., *President.*
S. K. (BOB) HANNA, *Vice-President.*

SUMMARY OF STATEMENT BY SENATOR ROMAN L. HRUSKA IN SUPPORT OF S. 1588 BEFORE THE SENATE FINANCE COMMITTEE, OCTOBER 19, 1967

The present meat import control law (Public Law 88–482) was passed three years ago in response to the need for controlling the extraordinary expansion in the volume of foreign beef which was flooding into our market at that time, depressing our prices, and inflicting bankruptcy or serious injury on thousands of our domestic livestock producers.

Imports of beef and veal in all forms increased from 254 million pounds in 1956 to 1858 million pounds in 1963 (calculated in terms of carcass weight equivalent). Under the impact of those heavy imports domestic prices fell sharply; between November 1962 and May 1964 choice slaughter cattle prices in Chicago fell from an average of $30.13 a hundred to $20.52.

Public Law 88-42 was essentially a compromise measure. It was a long step forward in recognizing for the first time that quota protection was needed, and in writing the quota formula into law. Yet it was understood that the law should be reviewed and perhaps amended from time to time in the light of experience.

Such a review is all the more necessary at this time because of the recent sharp upsurge in meat imports. (The law covers only fresh, chilled, and frozen beef, veal, and mutton, and all figures are in terms of actual weight rather than carcass weight equivalent.) Imports during July and August of 1967 amounted to 180.7 million pounds an increase of 21.8 percent over the corresponding period of the year before. If imports should continue at that rate during the rest of the year, the 1967 total would come to 920 million pounds, by far the highest level of yearly imports since the year of disaster, 1963.

How well has Public Law 88-482 worked? On the basis of experience it has been found to be seriously ineffective.

The present law spells out a base quota on the quantity.

Public Law 88-482 establishes a base quota, representing the maximum quantity of foreign meat (of the types covered by the law) which is supposed to be permitted into this country. But then, this figure is adjusted upward in two ways—by a growth factor, and also to allow a 10 percent overrun above the quantity of meat stated in the law. Furthermore, the quota cannot be imposed except on the basis of an advance estimate of imports by the Secretary of Agriculture.

Thus, the law specifically sets a figure of 725,400,000 as the base quota; yet, earlier this year the Secretary of Agriculture announced that imports were expected to amount to 960 million pounds—but that even so he could not under the law impose any quota on those imports. Evidently this present law contains significant loopholes.

The bill pending before this Finance Committee, S. 1588, jointly sponsored by 39 members of the Senate and backed by the major livestock organizations, would do the following:

(1) Abolish the provision permitting the so-called 10 percent overrun;

(2) Abolish the provision by which the whole quota mechanism is dependent on estimates of future imports by the Secretary of Agriculture; instead, impose the quota by terms of the law itself;

(3) Base the quota on the average imports of 1958-62 instead of 1959-63;

(4) Provide that any procurement of meat from foreign sources by the Defense Department be charged against the applicable import quota;

(5) Impose all quotas on a quarterly rather than an annual basis;

(6) Give the President discretionary power to impose quotas on other types of imported meat such as lamb, pork products, and canned beef.

During the present extraordinary prosperity, it seems that every segment of the economy has prospered except the farmer. The parity ratio has fallen to levels reminiscent of the 1930's. While cattle prices have advanced not at all above the levels of 20 years ago, the cost of living has increased 45 percent and average factory wages have more than doubled. We ask for passage of this bill to give the livestock man at least a small assist in his effort to maintain healthy rural economy.

STATEMENT BY SENATOR ROMAN L. HRUSKA IN SUPPORT OF S. 1588 BEFORE THE SENATE FINANCE COMMITTEE, OCTOBER 19, 1967

Mr. Chairman, members of the Committee, a little more than three years ago this Committee played a leading role in the enactment of Public Law 88-482, the present statutory authority for the imposition of quotas on the importation of foreign meat into this country.

Public Law 88-482 was the first in our history which granted such authority, so far as I know. It was enacted in 1964 to protect our domestic livestock industry against an overwhelming danger which had suddenly arisen to threaten it.

I refer, of course, to the extraordinary expansion in the volume of foreign beef which was flooding into our market at that time.

Appendix I shows U.S. imports of cattle, calves, beef and veal compared with U.S. production (all in carcass weight equivalent) compared with U.S. production, by year, from 1954 to 1966.

In 1956, it is noted, these total imports were 254 million pounds, or 1.6 percent of U.S. production for that year.

In 1966, the corresponding figure for imports was 1,455 million pounds, about 600 percent greater than ten years earlier. The figure for 1966 is the third highest in recent years, having been exceeded only in 1962 and 1963.

Indications are that 1967 imports will exceed 1966 volume.

The impact of these large-scale imports on our domestic livestock markets was direct and severe. Cattle prices held up through most of 1962 but declined near the end of the year, slumped badly early in 1963, dropped further later in the year, then during the first part of 1964 really scraped bottom. Altogether the average monthly Chicago price for choice slaughter steers fell from $30.13 in November of 1962 to $20.52 in May of 1964, 32 percent in eighteen months. It was too much of a reversal for any industry to withstand without disaster; in 1964, the cattlemen had to ask their government for at least partial protection from the weight of imports.

At the time, Secretary Freeman contended that domestic production was primarily responsible for the price collapse, rather than imports. I do not intend to go all over that argument again. Fluctuations in domestic production were an old story. The new factor in the situation was the mountainous amounts of foreign beef crossing our borders. It is simply not credible to deny that the imports were a major causative factor.

Public Law 88-482, which was finally enacted in August of 1964, like most legislation, was a compromise. Regardless of its provisions, the very fact of its enactment was of tremendous importance. For the first time there was written into law the principle that quotas on imports to protect the domestic industry should be imposed, and the law contained the spelled-out formula of how that quota was to be calculated. Those were tremendous gains. This Committee deserves a vote of thanks from the entire livestock industry of this country for nailing those principles into the law.

However, at the time those of us who had fought for the legislation said very candidly that the bill fell short of what we believed should be done. We reserved the right to come back to the legislative process for changes, and also the right to judge the legislation in the light of our experience with it.

Furthermore, the recent sharp upward surge in meat imports must give us pause. Attention already has been called to the fact that 1966 imports shown in Appendix I are the highest in recent years. Indications are that 1966 imports will be exceeded by 1967. Imports of the meats covered by Public Law 88-482 during July of this year amounted to 88.7 million pounds, and imports in August, according to preliminary figures secured by telephone, were 92.2 million pounds. For the two-month period the level of imports represented an increase of 21.8 percent compared with the same two months of the preceding year. If imports during the remainder of this year should continue at the July-August rate, the total for the year would amount to 920 million pounds. That would be far the highest level of imports for any year since the year of disaster, 1963.

For that reason this may be a particularly good time to reexamine the statute and how it operates.

How well has Public Law 88-482 worked to date? The answer is that on the basis of our experience thus far it has been found to be seriously defective. It has not provided the protection it was supposed to give to the cattle industry and to agriculture generally. As a matter of fact, the law has been so little help that as yet we have not even been able actually to impose any quotas under its provisions.

We have had an opportunity to experience its weaknesses, and to observe the potential loopholes left open for foreign meat to be pushed through.

THE PRESENT LAW

How is the present law supposed to work?

The law starts out by establishing a quota or limit as to the quantities of certain specified types of foreign meat—specifically, fresh, chilled, or frozen beef, veal, and mutton—which may be imported from abroad. That is the base quota, which the law sets at 725,400,000 pounds, the annual average, approximately, of imports of those meats during the years 1959 to 1963.

But this figure is adjusted upward in two ways before a quota can be imposed. First, imports are permitted to increase from year to year at the same rate as domestic production. As of now this growth has amounted to 179,200,000 pounds, thus resulting in an adjusted base quota of 904,600,000 pounds for 1967. The law provides secondly that quotas not be imposed except when imports are expected to amount to 110 percent of this adjusted base quota. This "trigger point," as it is called, amounts to 995 million pounds for 1967.

But finally, the quotas are imposed on the basis of an advance estimate by the Secretary of Agriculture as to the level that he expects imports will reach for the year. The statute now provides that at the beginning of each year, and quarterly thereafter, the Secretary of Agriculture is to estimate the quantities of the specified types of meat that will come in during the year. The quota will be imposed only if his estimate of expected imports is a larger figure than the trigger point calculated for that year in the manner previously described.

The secretarial estimate is of course a forecast before the event, and subject to all the errors and hazards that afflict any effort by humans to foretell the future.

EXPERIENCE TO DATE

Our experience with the law this year has already revealed some of the weaknesses in it.

To begin with, there was a period earlier this year when it seemed likely that the provision for a 10 percent overrun would turn out to be the most important part of the law. As noted above, for 1967 the adjusted base quota would be 904.6 million pounds, and the trigger point would be 995 million pounds. Earlier this year it was expected that imports might amount to 960 million pounds—more than the figure for the adjusted base quota but less than the trigger point. In other words, with imports at the 960 million level—within the 10 percent zone—this 10 percent overrun provision would prevent the quota limitation from being invoked.

Clearly this 10 percent overrun is a useless and burdensome provision which tends to defeat the purpose of the law, and should be gotten rid of.

Next, there is the question of the secretarial estimates. The whole mechanism of the law is brought into play by the estimates of the Secretary of Agriculture, and the effectiveness of the quota system is dependent on the accuracy of those estimates.

On the basis of our experience with the law to date, it has to be said that the secretarial estimates are not terrifically accurate, or at least that is the case with respect to those made at the beginning of the year. For 1965 the Secretary at the beginning of the year estimated that total imports would amount to 733 million pounds. As we moved through the year his estimates declined progressively, and his estimate for the full year made in September was 630 million. Actual imports during all of 1965 came to 614 million pounds, more than 100 million less than his estimate at the beginning of the year.

For 1966 his beginning estimate the previous December was set at 700 million pounds, while total imports finally came to 823 million pounds. For 1967 his beginning estimate was 960 million, but already he has revised that downward to a figure of 860 million. Thus, each of the three years it has appeared that his initial estimate was 100 million pounds or more away from the mark. I do not intend to sound too critical: it may be that in the field of economic forecasting that is fairly accurate, but the whole machinery of estimating imports is not really necessary anyhow. In any revision of the law, it can be dispensed with.

Thirdly, and foremost, I am convinced that the base quota in present law is unfairly high to begin with. This quota was set at a level equal to average imports during a particular base period, 1959–63. That base period was carefully selected indeed—it was the highest five year period that could possibly have been chosen. It included the two exceptionally high years of 1962 and 1963, when more than 10.5 percent of U.S. production was imported.

Let me say that it is difficult to understand the psychology which, first, permits imports for a time to run absolutely wild, to build up a tremendously high volume for a period, and then, when quotas are imposed, uses that short period of high volume imports as the basis for settling how high the quota must be. Prior to 1962 imports of these meats had never exceeded 614 million pounds; yet Public Law 88–482 set 725 million as the base quota and through the operation of the growth factor the adjusted quota for 1967 is pushed up above 900 million pounds.

That is simply too much foreign meat for our livestock economy to be legitimately asked to absorb.

PROVISIONS OF BILL

Let me summarize briefly the provision of S. 1588.

First of all, it would wipe out the provision for a 10 percent overrun in permissible imports, over and above the quantity specified as being in line with the policy set by Congress. That 10 percent overrun should never have been in the law in the first place.

Secondly, the bill would abolish the role of the Secretary of Agriculture in making forecasts of the quantity of imports to be expected. Instead, by this bill the quota would be imposed by the law itself, and would not be dependent upon the Secretary's estimate.

Third, the bill would change the base period upon which the quota is calculated. The base quota in the present law, for total imports of fresh, chilled, and frozen beef, veal, and mutton, is set as 725,400,000 pounds, which was approximately the average annual importation of those products during the 5-year period 1959–63. In S. 1588 that base is set at 585,500,000 pounds, the average annual volume of imports during the years 1958–62, a much more representative base period.

Those are the three most important changes proposed in the bill. There are several other changes which are more in the nature of housekeeping or technical amendments, needed to make the administration of the system work more effectively but not changing its fundamentals. It is hoped that these changes may be accepted as noncontroversial.

The first of these changes is to place the quota system on a quarterly instead of an annual basis. At times there is a surprisingly wide fluctuation in the volume of meat imported from one quarter to another. For example, during July–August of this year imports were running at the rate of 270 million pounds per quarter, whereas during the previous quarter they amounted to less than 180 million pounds. There is no reason to permit such fluctuations which are unsettling to our market here, and which can be prevented by dividing the annual quota up into four quarterly quotas.

Next, S. 1588 would provide that any offshore procurements of foreign meat by the military for use overseas would be charged against the appropriate import quota. Last spring the Defense Department arranged for the purchase of 10,000,000 pounds of lamb from Australia and New Zealand for use in the feeding of our troops in Vietnam and elsewhere overseas. If purchases of this type must be permitted, it seems only right that the equivalent quantities be deducted from any quotas governing importation into this country. This quantity—10,000,000 pounds—is quite a lot of lamb. Actually, since there is no quota on lamb at the present time anyhow, this provision would be inapplicable for the time being, but it has been included in the bill so that when and if an offshore procurement of a type of meat subject to quota should be made, the provision would come into play. It is hoped that the military will not object to this amendment, which would not hamper or really affect the conduct of military operations in Vietnam in the slightest.

Finally, the bill also provides discretionary authority to the President to impose quotas if necessary on other types of meat not already covered by existing law, that is, such meats as lamb, pork products, and canned or prepared and preserved beef. We have had trouble with imports of some of these other meats in the past. Last year imports of lamb were higher than in any recent year except 1963. Imports of pork and also imports of prepared and preserved beef were higher than in any year for certainly many years. Appendix II sets out product weight of U.S. imports, by year, 1958–66.

Not only that, but this authority to impose quotas on other types of meat may be essential to prevent evasion of the quota on the fresh, chilled, frozen product. It is conceivable that if the quota on fresh, chilled, and frozen beef is filled, foreign producers might turn to the canning or preserving of additional beef for shipment to the United States, in order to get around the U.S. quota. We know that essentially that means was used to avoid the quota restrictions on dairy products. Elementary prudence requires that we arm ourselves against such a potentiality.

CONCLUSION

In conclusion, Mr. Chairman, S. 1588 is a fair and reasonable bill, a bill designed to stabilize the role of imports in our meat supply, to protect our domestic industry without doing harm to our foreign suppliers. It gets rid of the 10

percent overrun feature in the present law which should never have been in there in the first place. It also changes the base period to 1958–62, a reasonable base which is much more representative of the historic position of imports than the base in the present law, 1959–63, which yields an exaggerated figure as a quota base.

The bill simplifies the administration of the program by abolishing the complex system of secretarial estimates of future imports. It smoothes out the flow of imports by substituting quarterly quotas for one annual quota.

Please note that imports will not only continue in line with their historic contribution to our meat supply, but we allow the import quota generous growth factor. The bill permits imports to be increased at the same percentage rate as domestic production. The bill would stabilize our domestic markets without harming the importer or the foreign producer.

It is good that the Finance Committee has chosen this time to look again into the problems of the livestock industry, and the impact of imports on our own economy in this country. The cattle industry is the most widespread of all our farm industries in this country, and also the largest in terms of value of output. There are thirty-four states having more than one million head of cattle and calves. Total cash realized from sale of cattle and calves during 1966 amounted to $10.4 billion, which was 24.2 percent of the total cash receipts from farm marketings during 1966. That was far, far greater than cash receipts realized from any other branch of agriculture in 1966—nearly double the figure for cash receipts from dairying, which was the next largest branch of agriculture in terms of gross revenue.

The prosperity of the cattle industry is also of fundamental importance to the continued well-being of producers of feed crops for sale, of course.

I hope this Committee will approach this problem recognizing the historic role of agriculture in this country, the new problems that beset the farmer in this era, and the pressures which have made it most difficult to preserve a healthy rural economy and society.

In these last few years of extraordinary prosperity, it has seemed that every segment of our economy has thrived and prospered—except the farmer. For the farmer, however, the prosperous sixties have been a period of rising costs and lagging prices for farm products, a never-ending race in the squirrel cage to keep up with his mounting expenses. Last month—September of 1967—the index of prices received by farmers declined by four percentage points, and the parity ratio fell again—to only 73, lower than the annual average parity ratio for any year since 1933. The parity ratio for beef cattle for September was only 81, slightly above the average for all farm products but certainly not high enough to give us any comfort. In 1967 the total number of farms in the entire United States had dwindled to the figure of 3,176,000, less than half the figure for 1935, which was 6,813,000. It is a trend which is not pleasant to think about or talk about, but which must be faced and dealt with as one of the central problems of the times in which we live.

To stem this unhealthy tide of migration away from the farms, to give the livestock man at least a small assist in his effort to maintain the healthy rural economy and rural society of the past, we ask that the Finance Committee help strengthen the import quota system in the manner proposed by S. 1588.

Mr. Chairman, 20 years ago, in 1947, the average price for choice slaughter steers in Chicago, per hundred pounds, was $26.22. Last year, in 1966, the average price was almost identically the same—$26.29. All through the intervening period it was a struggle to keep the price up to that 1947 level. The price fluctuated as high as $35, as low as $22 a hundred; it held at $26 or better in ten of the 18 intervening years, and averaged below $26 in eight of the 18.

So it might be said the price of cattle at least has not gotten worse.

But what has happened to the value of our dollar in the meantime? First of all, look at the great gains of our factory labor. The average hourly wage in manufacturing industries in this country was $1.22 in 1947. That figure increased *every single year* during the intervening years and in 1966 it was $2.71—more than twice what it was in 1947.

What about the cost of living? Taking 1947 as the base year and therefore making it equal to 100, the consumer price index by 1966 had climbed to 145.4—45 percent above the cost of living of 20 years earlier. That is a measure of how the value has gone out of the dollar.

I submit, Mr. Chairman, that the relief provided in this bill is reasonable and long overdue. I trust the Committee will act favorably on this measure and not add to the difficulties of an already overburdened segment of American agriculture.

APPENDIX I

U.S. IMPORTS OF CATTLE AND BEEF, COMPARED WITH U.S. PRODUCTION, BY YEARS, 1954-66

[Cattle and calves and beef and veal]

	Imports					
	Live animals					
	Number (thousand head)	Meat equivalent [1] (million pounds)	Meat (million pounds)	Total million pounds)	U.S. beef and veal production [2] (million pounds)	Imports as a percentage of production (percent)
Year:						
1954	71	35	232	267	14,610	1.8
1955	296	93	229	322	15,147	2.1
1956	141	43	211	254	16,094	1.5
1957	703	221	395	616	15,728	3.9
1958	1,126	340	909	1,249	14,516	8.6
1959	638	191	1,053	1,254	14,588	8.6
1960	645	163	775	338	15,835	5.9
1961	1,023	250	1,037	1,287	16,344	7.9
1962	1,232	280	1,440	1,720	16,313	10.5
1963	834	180	1,678	1,858	17,357	10.7
1964	529	113	1,085	1,198	19,442	6.2
1965	1,111	265	942	1,208	19,719	6.1
1966 [3]	1,081	241	1,204	1,445	20,604	7.0

[1] Estimated at 53 percent of the live weight of all dutiable imports of cattle.
[2] Total production (including an estimate of farm slaughter).
[3] Data are preliminary.

Note: For earlier year data see the source.

Source: Livestock and Meat Situation, May 1964, published by USDA, p. 37, brought up to date by special tabulation by the Department of Agriculture.

APPENDIX II

U.S. IMPORTS,[1] 1958-66

[In millions of pounds]

Commodity	1958	1959	1960	1961	1962	1963	1964	1965	1966
Beef and veal:									
Fresh, frozen, chilled	358.2	524.5	413.8	569.0	860.0	985.3	705.6	583.9	762.9
Canned	113.4	94.7	76.5	95.2	83.7	113.4	83.6	92.8	93.6
Other [2]	147.6	103.2	22.3	24.9	23.7	23.7	11.2	24.4	36.8
Mutton and goat: Fresh, frozen, chilled	17.2	47.3	37.3	44.9	65.0	62.9	34.3	30.0	60.5
Lamb: Fresh, frozen, chilled	6.8	9.5	12.4	10.9	13.1	18.9	10.4	12.5	11.9
Pork, total	182.8	174.9	171.3	173.7	203.8	210.5	210.6	262.3	298.3

[1] Product weight.
[2] Prepared and preserved.

SUPPLEMENT TO STATEMENT OF SENATOR ROMAN HRUSKA

EFFECT OF IMPORTS ON CATTLE PRICES

Mr. Chairman, in his testimony yesterday the Secretary of Agriculture made a number of statements about the beef import situation which require comment.

In his discussion of the background of the 1964 law, he pointed out that the European Economic Community, the United Kingdom, and Japan have increasingly been erecting barriers against imports, with the result that world beef surpluses were pouring into our market. It is good to see that he now appears to recognize that these beef imports were and are a problem, and that our action in enacting Public Law 88-482 was a defensive measure forced upon us by the policies of other countries.

It is all the more disappointing, therefore, to note that he still will not recognize the impact of these imports on price.

In his prepared statement he says:

"If the most restrictive features of the legislation presently before Congress were implemented, it is our estimate that the price rise on domestic cutter and canner cows would be less than 2 percent, and on feed cattle, less than 1 percent."

Those of us who went through this meat import struggle before, in 1964, will recall that between November of 1962 and May of 1964 the price of choice steers in Chicago fell over $9 a hundred, more than 32 percent. I do not contend that the entire 32 percent was due to imports, but some substantial part of it was. Certainly it seems absurd for the Secretary to talk in terms of one and two percent.

But putting the argument on a more technical level, it happens that in 1963 staff experts of the Department of Agriculture carried out an analytical study of precisely this point—the effect of imports on the U.S. price. Putting the findings of that study in lay language, the conclusion at that time was that for each increase in imports amounting to 180 million pounds of beef (carcass weight equivalent, including live cattle) the domestic price on choice steers would be knocked down about 30 cents a hundred. On the basis of this formula, total beef imports last year of 1,445 million pounds would have had a total impact on our prices of about $2.40. Any cutback in that volume resulting from a tighter application of quotas would have had an effect in proportion to the size of the cutback.

The matter was dealt with in the Congressional Record for February 7, 1964, p. 2442, where there is reprinted an extract from the November, 1963, issue of the Livestock and Meat Situation, a publication of the Department of Agriculture, together with a letter from an official of the Department correcting an error and explaining the study.

SIGNIFICANCE OF EXPORTS TO THE CATTLE INDUSTRY

Whenever any effort is made to provide reasonable protection against imports for the U.S. cattle industry, invariably we are met with the cry of alarm that nothing must be done, because it might endanger our export markets. In essence, that was the theme of the cabinet officers who appeared before the Senate Finance Committee on October 18.

Insofar as agriculture is concerned, it is certainly true that export markets for wheat, soybeans, corn, and certain other products are of the highest importance. If the Trade Expansion Act of other efforts under the trade agreement program had shown any capacity to protect and expand exports for those products, this argument would be worthy of attention. But the short fact is that the Kennedy Round was a lamentable failure with respect to protecting our foreign markets for these surplus farm products. During the 1964 hearings Secretary Freeman told this Committee of his repeated trips to Europe in an effort to get rid of the variable fee system employed by the EEC. Yet the sad fact is that now with the Kennedy Round concluded, the variable fee system remains in effect without the slightest limitation or mitigation of its terms.

During the 1964 hearings Secretary Freeman also spoke growingly of his hopes to expand U.S. exports for beef. He said:

"We estimate there is a need for 100,000 to 150,000 tons of beef in the Western European markets for the remainder of this year . . . We believe we can sell . . . We have invited delegations of buyers from Western Europe to visit this country to look at our beef and cattle. Representatives of Italy and France are here now on buying missions . . ."

Did we sell that 100,000 to 150,000 tons (equal to 200 to 300 million pounds) of beef to Western Europe in 1964? Or any other time? We did not.

Total exports of beef and veal to *all* foreign countries in recent years have been as follows:

1963; 33 million pounds.
1964; 65 million pounds.
1965; 54 million pounds.
1966; 39 million pounds.

Meanwhile, let us not forget that imports in 1966 of beef and veal (carcass weight equivalent, all types except live animals) were 1,204 million pounds, 30 times the volume of exports.

Certainly all of us interested in the welfare of the cattle industry must applaud these efforts to expand foreign markets for our beef. Certainly we are glad to sell some of it abroad if we can. But let us be realistic.

American beef is a premium product, delectable to the taste but not cheap to the pocketbook. Europeans generally, to their misfortune, have never acquired

much of a taste for it. If they had, doubtless some of them would be regular purchasers in spite of the price, but generally speaking we cannot compete, price-wise, with Australian or Argentine beef in the foreign markets of the world. Since Secretary Freeman made those optimistic statements, our volume of exports has gone down, not up, and it was not very great to begin with.

The home market has been good to us. The foreign market has not. Let us not sacrifice the basis of our prosperity while chasing a will-o'-the-wisp.

MEAT IMPORTS AS A PERCENT OF PRODUCTION

In his statement, Secretary Freeman said:

"The limit on imports under the law would be approximately 6.7 percent of domestic production. Actually, imports in 1966 were 5.6 percent of production, and we except them not to exceed 5.8 percent this year. By contrasts, imports amounted to 8.6 percent of production in 1963."

By contrast, in my prepared statement there is a reference to "the two exceptionally high years of 1962 and 1963, when more than 10.5 percent of U.S. production was imported."

My figure is taken from an appendix attached to my statement; the figures therein are copied from a publication of the Department of Agriculture, or supplied directly by the Department.

It appears that Secretary Freeman's figure for 1963—8.5 percent—is obtained by leaving out of the calculation the carcass weight equivalent of the live animals imported. Omitting this category of imports also permits him to say that 1966 imports amount to only 5.6 percent of production; if the live animals are included the correct figure for 1966 is 7.0 percent, and 1967 will doubtless be higher.

To secure an accurate picture of the share of our market held by the foreigner, it would seem necessary to take into account all imports of foreign beef and veal in all forms—fresh, chilled, or frozen; canned; prepared and preserved; and on the hoof.

The CHAIRMAN. Mr. Kenneth Roberson.

STATEMENT OF KENNETH ROBERSON, CHAIRMAN, MEAT IMPORTERS' COUNCIL, INC.

Mr. ROBERSON. My name is Kenneth Roberson. I appear today in my capacity as chairman of the Meat Importers' Council, Inc., of New York, a trade association comprised of 69 concerns vitally interested in the importation of meats primarily from Australia, New Zealand, and Ireland, and consisting of direct importers, truckmen, warehousemen, steamship companies, port authorities, brokers and processors.

I am here to talk about fresh frozen meat which accounts for a large proportion of all meat imported to the United States. Imported meats are manufacturing grade and used to produce a number of food products including hamburger, frankfurters, and other convenience foods.

Mr. Chairman, in recognition of the complexity of this subject and the shortage of time, it is respectfully requested that I be allowed to file a more detailed, written brief, along with supporting data, which together with my prepared statement I would appreciate be part of the record.

I will be the first to admit that imported fresh frozen beef directly competes with U.S. cow beef. However, this imported meat does not compete with grain-fed U.S. meat, the principal product of U.S. cattlemen. Notwithstanding allegations that "a pound of imports displaces a pound of domestic meat," it is a plain fact that imported meat has sustained, rather than depressed, prices quoted at the stockyard markets for manufacturing-grade beef. Our imports help even out the irregular supply of beef for manufacturing use.

In the interest of saving time, I will go directly to my summary of points.

The U.S. cattle interests sought and obtained Public Law 88-482 in 1964. Imports have never reached the amount which it is the declared policy of Congress to admit.

Domestic manufacturing meat is produced sporadically in insufficient quantity to meet steadily rising consumer demands.

Unrestricted imports are necessary, both to supplement and to even out domestic production.

Limitations on meat imports would increase consumer prices, substantially without affecting prices received by American cattlemen for beef steers and heifers.

One pound of imported meat, again, does not displace 1 pound of domestic meat.

Injudicious cattle raising and feeding practices in the United States cause a chronic oversupply of high-quality meat resulting in price weakness.

Long continued upward trend of manufacturing beef prices show this product is not oversupplied.

Meat imports benefit the consumer and the domestic cattlemen. Restriction of imports would raise prices for meat products to the aged, the poor, and others on stable income and would be contrary to the national interest.

It has been suggested that exporters of fresh frozen beef to the United States will evade quotas unless they are extended to cover all meat products. This may be a very good emotional issue, but it is just simply not borne out by the commercial facts.

Gentlemen, I have been in this business for about 30 years, and I can assure you that it is impossible to profitably process, by cooking or other ways, meats from countries presently supplying those products covered by Public Law 88-482.

As the committee, Mr. Chairman, I am sure, knows, U.S. duty on fresh frozen meat is 3 cents per pound irrespective of price. In the case of cooked beef there is a 10-percent ad valorem tax which in itself prices us out of the market.

Gentlemen, it seems to me that the problem of income to cattle raisers and feeders is so complex that it warrants an in-depth study before any remedial action is seriously considered.

Statements expressed in the Congressional Record by Senator Church in April of this year, indicate that the American Cattlemen's Association is trying to get better beef prices through a program of effective production control. If we strip their problems of emotional issues, it is clear that imported manufacturing-grade beef has not and cannot be expected to compete with the grain-fed table beef.

It is my opinion that the facts do not warrant new quotas.

Thank you, Mr. Chairman, and gentlemen of the committee.

(Mr. Roberson's prepared statement, with an attachment referred to previously follows. An additional attachment "Memorandum in Opposition to Additional Quota Restrictions on Imported Fresh Frozen Meats," by William W. Stenning, M.R.C.V.S., M.R.S.H., was made a part of the official files of the committee.)

STATEMENT OF KENNETH ROBERSON, CHAIRMAN, MEAT IMPORTERS' COUNCIL, INC., IN OPPOSITION TO PROPOSALS TO FURTHER RESTRICT THE IMPORTATION OF MEAT; OCTOBER 20, 1967

SUMMARY

The Meat Importers' Council, Inc., a nationwide trade association composed of 69 member organizations, registers its strong opposition to any additional restrictions on the importation of meats, for the following reasons:

1. Imported fresh frozen meat is totally comprised of grass-fed product which does not compete with grain-fed U.S. beef.
2. Imports assure regular supplies of manufacturing-grade meat relatively unaffected by fluctuations in U.S. slaughter.
3. Suggested "evasions" non-existent. Present quota has never been triggered and as a commercial fact of life tailoring meat products in order to avoid quota is impossible.
4. Further limitations on imports will drive consumer prices up sharply in percentages completely out of relationship to the rather modest predicted increases to cattlemen and raisers.

STATEMENT

Mr. Chairman, Honorable Members of the Committee, my name is Kenneth Roberson. I reside in Valley Stream, New York, I have been in the packing house business for about thirty years, and directly connected with fresh frozen meat imports into the United States since their inception in the early 1950's.

I appear today in my capacity as Chairman of the Meat Importers' Council, Inc., of New York, a trade association comprised of 69 concerns vitally interested in the importation of meats primarily from Australia, New Zealand and Ireland and consisting of direct importers, truckmen, warehousemen, steamship companies, port authorities, brokers and processors.

I am here to talk about fresh frozen meat which accounts for a large proportion of all meat imported into the United States. Imported meats are manufacturing-grade and used to produce a number of food products including hamburger, frankfurters, and other convenience high-protein food products.

Mr. Chairman, in recognition of the complexity of this subject and the shortage of time, it is respectfully requested that I be allowed to file a more detailed, written brief, along with supporting data as part of the record in this proceeding.

I will be the first to admit that imported fresh frozen beef directly competes with United States cow beef. However, this imported meat does not compete with grain-fed U.S. meat, the principal product of U.S. cattlemen. Notwithstanding allegations that "a pound of imports displaces a pound of domestic meat," it is a plain fact that imported meat has sustained, rather than depressed, prices quoted at the stockyard markets for manufacturing-grade beef. Our imports help even out the irregular supply of beef for manufacturing use. Let me be a bit more explicit.

United States dairy cattle herds, the primary source of manufacturing beef in the United States, are culled in the spring and fall. After culling and slaughtering, a certain amount of the cow meat produced is then frozen and stored for later use.

Generally speaking, however, the main volume of U.S. manufacturing beef is available in the spring and fall while the demand for convenience foods, hamburgers, frankfurters and similar meat food products, is greatest during the summer months. Imported fresh frozen meat, predominantly beef, has traditionally served to supplement U.S. supplies and thereby enable processors in the United States to continue full production during periods of high demand. This statement is verified by the fact that U.S. Department of Agriculture published stockyard prices for manufacturing-grade meats have risen over 50% in the past decade and continue to be the most stable meat price quotations in the United States.

Those who support additional restrictions on imports of fresh frozen meats have never cited a single instance where imported meats have had a negative effect on the price structure of directly competitive U.S. produced manufacturing grade meat.

To a commercial man, such as myself, the lesson with respect to manufacturing-grade meat is clear: Imports have always followed demand in the United States resulting in normal continuous available supplies of such meat accompanied by continually firm prices. Conversely, domestic table-fed beef production resulting from what we consider to be injudicious raising and feeding policies in

the U.S. have glutted the market with the top-quality fed meat cuts and have thereby driven down prices.

The American National Cattlemen's Association has announced that its aim for U.S. beef producers is "Better beef prices through voluntary actions." In other words, they must control their own overproduction.

While I am on the subject of production and prices, I would like to refer briefly to the fact that citizens of the U.S. eat better beef than anyone in the world and in greater quantities than ever According to U.S. Department of Agriculture statistics, per capita consumption of beef twenty years ago was only 69.6 pounds. By 1966 it had risen to 104 pounds per capita. This means, of course, a sharp increase in per capita consumption, while at the same time, U.S. population rose from 144.9 million in 1947 to 196.9 million in 1966.

It is almost inconceivable that the increased volume of beef production did not result in some form of profitable endeavor for cattlemen and feeders, unless their own "race" to share in the increasing market caused over-supply which in turn clamped the lid on net return to the farmer. There are some profitable agricultural products where prices have declined.

In 1950 Mrs. American Housewife paid 59 cents a pound for a fryer chicken. Today she need pay only 25 cents a pound.

Even though the price for a fryer chicken has in the past 17 years dropped by more than 60%, it is a fact that increased demand and the use of modern farming techniques by poultry raisers has resulted in an unprecedented prosperity for the poultry producer while retail prices have declined.

Although I cannot tell you whether the chicken or the egg came first, I think we might mention the price of eggs, too.

Again using 1950 as our base year, Mrs. American Housewife then paid 60 cents for one dozen large Grade A eggs. Today she can buy a dozen Grade A eggs for 45 cents.

I respectfully submit to you that U.S. cattlemen and raisers could enjoy the price stability known by those of us engaged in the sale of manufacturing-grade beef, and certainly if the programs announced by the National Cattlemen's Association this year to temper individual members' shipments to the stockyards with judicious feeding and raising practices, then they, too, can enjoy increased profits from the growing U.S. market.

It has been suggested that exporters of fresh frozen beef to the United States will evade quotas unless they are extended to cover all meat products. This may be a very good emotional issue but it is just simply not borne out by the commercial facts. Gentlemen, I have been in this business a long time and I can assure you that it is impossible to profitably process, by cooking or otherwise, meats from countries presently supplying those products covered by Public Law 88-482. As the Committee, I am sure, knows, U.S. duty on fresh frozen meat is 3¢ per pound, irrespective of price. In the case of cooked beef, there is a 10% ad valorem tax, which in itself prices us out of the U.S. market.

Gentlemen, it seems to me that the problem of income to cattle raisers and feeders is so complex that it warrants an in-depth study before any remedial action is seriously considered. Statements spread on the Congressional record by Senator Church in April of this year indicate that the American National Cattlemen's Association is trying to get better beef prices through a program of effective production control. If we strip their problems of emotional issues, it is clear that imported manufacturing grade beef has not and cannot be expected to compete with the grain-fed table beef. It is my opinion that the facts do not warrant a new quota. As has been suggested to this Committee, the current inquiry into meat imports is a proper subject for Tariff Commission study under existing statutory provisions, in order to provide each Member of the Senate and the House of Representatives with a full report prior to any further consideration of such a serious matter as the application of new quotas against friendly nations such as the major suppliers of fresh frozen imported meats.

In conclusion, I would like to say that the 1964 quota has never been triggered by increased imports. There has never been a restraint on imports because imports only follow demand within the U.S. and have never impinged upon the market areas traditionally reserved for U.S. production. It seems to me that existing law provides adequate protection for American cattlemen, if indeed any is necessary. Therefore, it is respectfully urged that quota proposals be rejected.

Thank you very much.

Brief of the Meat Importers' Council, Inc., in Opposition to Restriction of Meat Imports

SUMMARY

The Meat Importers' Council, Inc. opposes restriction of imports of fresh chilled and frozen beef, veal and mutton, for the following reasons:

(1) The U.S. cattle interests sought and obtained Public Law 88-482 in 1964. Imports have never reached the amount which it is the declared policy of Congress to admit.

(2) Domestic manufacturing meat is produced sporadically in insufficient quantity to meet steadily rising consumer demand. Unrestricted imports are necessary both to supplement and to even out domestic production.

(3) Limitations on meat imports would increase consumer prices substantially without substantially affecting prices received by American cattlemen for beef steers and heifers. One pound of imported meat does not displace one pound of domestic meat.

(4) Injudicious cattle raising and feeding practices in the United States cause a chronic oversupply of high quality meat resulting in price weakness. Long continued upward trend of manufacturing beef prices shows this product is not oversupplied.

(5) Meat imports benefit the consumer and the domestic cattlemen. Restriction of imports would raise prices for meat products to the aged, the poor and others on stable income and would be contrary to the National Interest.

BRIEF OF THE MEAT IMPORTERS' COUNCIL IN OPPOSITION TO RESTRICTION OF MEAT IMPORTS

This brief is submitted by the Meat Importers' Council, Inc. (MIC) of New York City, a trade association composed of 69 regular and associate members accounting for over 85% of all imports of fresh, chilled or frozen beef, veal and mutton.

The MIC wishes to register its unrelenting opposition to restrictions on meat imports. If another, more stringent, quota is enacted by Congress, it would fail to bring about the desired result (firming up of beef prices) and, conversely, would bring about further increases in prices for many basic, lower-cost meat products necessary to major segments of the American community. Additionally, a new quota would harm American owned and operated meat importing businesses, and also would have a serious negative effect on U.S. shipping, longshoremen, truckers, warehousemen and others who benefit from meat imports, as well as the American consumer.

New quota proposals covering imported lean, manufacturing grade beef, are pending before the Senate (S. 1588, etc.) and the House of Representatives (H.R. 9475, etc.). Such proposals seem to be in response to urgings from domestic cattle producers and feeders to the effect that a cut in volume of imports will benefit them by raising cattle prices. This theory is based on the erroneous assumption that every pound of imported meat displaces a pound of American meat.

This brief will demonstrate that imports are not injurious to those segments of the American agricultural community now crying for help; that, on the contrary, they are beneficial to the nation at large, including the American cattlemen.

A thorough analysis of fact, as opposed to emotional argument based on short-term economic conditions in the industry, leads to the conclusion that no new quota is necessary. It is sincerely believed that full consideration and review of imports, U.S. production statistics and consumer cost problems will disclose that pending quota proposals will, if enacted, injure consumers and others without ultimately benefiting anyone.

I. PREVAILING LOW PRICES FOR U.S. FED CATTLE CANNOT BE ATTRIBUTED TO MEAT IMPORTS

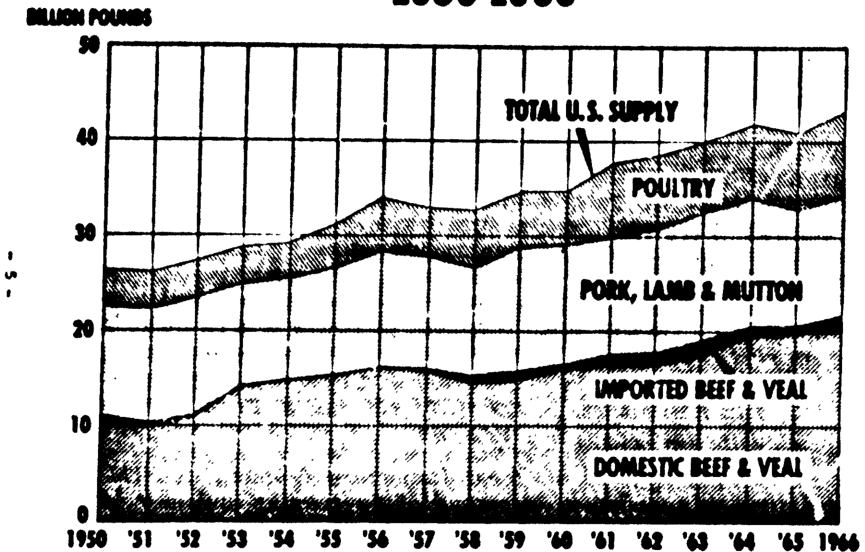
Almost all imported fresh, chilled and frozen meat is lean, manufacturing beef.[1] It is imported beef which supporters of new quotas see as a threat to do-

[1] Of all meats imported into this country, beef is by far the largest volume item. Public Law 88-482 (the present quota law) covers fresh, chilled or frozen beef, veal, mutton and goat. In 1966 the total quantity of these meats imported equalled 828,435,524 lbs. of which 740,856,632 lbs. was beef. Virtually all of this beef was of the lean, grass-fed variety with a fat content of only around 10% as compared to a fat content of around 25% in domestic grain-fed cattle. (The above poundages are official Bureau of Census figures, not converted to carcass equivalents in the case of boneless beef.)

mestic cattle raisers, feeders and other farm interests.

Although beef represents the vast majority of all meat imported into the United States, imported beef represents only a small percentage of total United States meat supply. Table I (on the following page) shows total U.S. meat supply and the portion represented by imported beef.

UNITED STATES SUPPLY OF MEAT AND POULTRY [1/] 1950-1966



[1/] U.S. Production, plus imports of beef, veal, pork, lamb, mutton, and poultry; includes processed products, military purchases and exports.

Source: Official statistics of the U.S. Department of Agriculture and Commerce.

While imported beef is of the "manufacturing" variety, most domestic beef is higher quality grain fed meat not suitable for economical use in manufacturing. Supporters of S. 1588, H.R. 9475 and similar bills have apparently confused these two distinct segments of the meat industry by arguing that imports of lean meat compete directly in the market place with "U.S. Prime", "Choice" and "Good" grain-fed beef and meat products. This "pound of imports displaces a pound of domestic meats" theory is clearly incorrect.

U.S. Producers Have Concentrated on Grain-fed High Quality Beef

Basic distinctions exist in the cattle and meat packing businesses between high-quality table beef of "Prime", "Choice" and "Good" grades and manufacturing grades produced principally from cows, bulls and some low-quality steers.[3] Table beef grades are produced by taking matured calves and placing them in "feedlots" where they are fed on a concentrated grain diet designed to produce tender, high fat content meat. It is from such animals that our "Choice", "Prime" and most of our "Good" quality steaks and roasts are obtained. American cattle raisers have concentrated more and more on the production of this type of meat, possibly because, given the unique abundance of grain in this country, this type of cattle yields the highest gross return.

In 1954, when U.S. beef production equalled 80.0 lbs. per capita, only 33.3 lbs. represented grain-fed production. However, in 1966, when total U.S. production was 98.5 lbs. per capita, 66.0 lbs. was grain-fed beef—an increase of about 100% in fed beef per capita production as compared with an increase of about 25% in total beef per capita production. Table II (below) shows a complete breakdown of U.S. beef consumption by source of supply from 1954 through 1966.

[3] The official grades for slaughter cattle and for beef are (in descending order of suitability for table beef) Prime, Choice, Good, Standard, Commercial, Utility, Cutter and Canner. (United States Tariff Commission, TC Publication 128, June 1964, p. 6.)

TABLE II.—PER CAPITA BEEF CONSUMPTION BY SOURCE OF SUPPLY

[Pounds per capita]

Year	Total supply	Domestic fed beef supply	Other table beef			Processing supply		
			Domestic	Imported	Total	Domestic	Imported	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1954	80.1	33.3	33.5	(1)	33.5	13.2	0.1	13.3
1955	82.0	37.2	30.6	(1)	30.6	14.0	.2	14.2
1956	85.4	39.3	32.3	(1)	32.3	13.6	.2	13.8
1957	84.6	38.5	33.0	0.1	33.1	12.3	.7	13.0
1958	80.5	39.3	29.7	.4	30.1	8.1	2.0	11.1
1959	81.4	41.7	28.5	.5	29.0	7.3	3.4	10.7
1960	85.2	45.8	28.4	.5	28.9	7.9	2.6	10.5
1961	88.0	49.0	27.7	.7	28.4	7.0	3.6	10.6
1962	88.8	53.8	21.2	.8	22.0	7.2	5.8	13.0
1963	94.3	55.7	24.9	.9	25.8	6.3	6.5	12.8
1964	99.7	60.7	25.4	.3	25.7	8.7	4.6	13.3
1965	99.3	60.0	23.4	.4	23.8	11.9	3.6	15.5
1966 [2]	103.7	66.0	21.1	.4	21.5	11.4	4.8	16.2

[1] Less than 0.05 pounds.
[2] Preliminary.

Source: Col. 1, USDA publications; cols. 2, 3, and 6, computed from USDA published statistics; cols. 4 and 7, computed from USDC published statistics; cols. 5 and 8, additions of cols. 3 and 4 cols 6 and 7, respectively.

Note: The meat equivalent of live animals imported for further feeding are included in cols. 2 and 3. Boneless beef converted to carcass equivalent.

What Is Manufacturing Beef?

Grass-fed cattle are fed only on pasturage. Their meat is not as tender as grain-fed beef and is very much lower in fat content. This is virtually the only type of cattle raised in principal supplying countries. Substantially all of this imported, grass-fed beef is comparable to American "Utility", "Cutter", or "Canner" grades.[3] These grades of meat (whether domestic or foreign) are generally unacceptable to the American consumer as table cuts, and are utilized only for manufacturing into processed meat products such as hamburger, frankfurters and luncheon meats. Generally speaking, such products are made only from these grades since use of higher grades would be uneconomical. Because of such use, these lean grades are called "manufacturing meat." Domestic and imported manufacturing meats are used interchangeably by most meat processors.

Domestic manufacturing beef is obtained almost entirely from cows and bulls which have already served their prime purpose as milk producers or breeders of beef calves. By the time these animals are sent to slaughter they have normally been fully amortized, and the raiser has received a return of his investment. The salvage value fetched by these animals when sold for slaughter is a minor factor, not necessarily connected with basic lifetime production. It is meat from these animals which is directly competitive with imports.

History of Cattle Prices Shows Restriction of Imports Is Unnecessary

Supporters of meat import restrictions argue that cattle prices are no better now than they were twenty years ago. A glance at Column 2 of Table III, below, indicates that high quality cattle prices do, indeed, tend to fluctuate up and down between relatively fixed limits. However, to put this argument in perspective it should be noted that, while prices have shown no steady increase, U.S. beef production has increased dramatically. In the past twenty years U.S. beef production has doubled![4] It is reasonable to suppose that this increased productivity has resulted in increased efficiency to offset price weakness. Further, virtually all of this increased production has been in the form of grain-fed beef which, of course, brings much higher prices than the grass-fed variety. U.S. production of all beef has risen to nearly 20 billion pounds, of which almost 13 billion is high value grain-fed beef.

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[3] Imported meat is subjected to exactly the same tests and standards as domestic meat which enters interstate commerce—administered in each case by the Federal Government. A very small portion of imported beef finds use as so-called table beef. See Table II, Column 4.

[4] *Statistical Abstract of the United States 1967* at page 650 contains the following domestic beef production figures: 1945, 10.276 billion lbs.; 1950, 9.534 billion lbs.; 1966, 19.694 billion lbs. (preliminary).

Quite apart from the above, it is a plain fact that prices for fed beef are actually at a relatively firm level today. Contrary to inferences of supporters of these proposals, this trend is expected to continue.[8] This high price trend has now been evident since 1965 (see Table III, below) and only reversion by the American cattlemen to past injudicious overproduction will end it. Certainly imports will not end it. Even if imports were directly competitive with high quality beef, Public Law 88-482 would prevent any appreciable effect.

TABLE III.—LIVE PRICES FOR DOMESTIC FED AND MANUFACTURING BEEF AND PER CAPITA CONSUMPTION

[Pounds per capita]

Year	Domestic table beef supply	Average price choice steers (Dollars per hundredweight)	Total imports	Domestic manufacturing supply	Total manufacturing supply (domestic and imports)	Average live prices (Dollars per hundredweight)	
						Utility grade	Cutter grade
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1954	66.8	24.66	0.1	13.2	13.3	11.46	9.60
1955	67.8	23.16	.2	14.0	14.2	11.52	10.00
1956	71.6	22.30	.2	13.6	13.8	11.37	10.00
1957	71.5	23.83	.8	12.3	13.0	13.61	12.06
1958	69.0	27.42	2.4	8.1	11.1	18.41	16.54
1959	70.2	27.83	3.9	7.3	10.7	17.79	16.27
1960	74.2	26.24	3.1	7.9	10.5	15.68	15.00
1961	76.7	24.65	4.3	7.0	10.6	15.66	15.12
1962	75.0	27.67	6.6	7.2	13.0	15.50	14.72
1963	80.6	23.96	7.4	6.3	12.8	15.10	14.06
1964	86.1	23.12	4.9	8.7	13.3	13.74	12.91
1965	83.4	26.19	4.0	11.9	15.5	14.46	13.42
1966 [1]	87.1	26.29	5.2	11.4	16.2	18.02	17.29
July 1967		26.40				18.37	17.55
August 1967		27.22				17.79	16.74

[1] Preliminary.

Sources:
Column 1—table I column 2 plus table I column 3.
Column 2, 6, and 7—Chicago live slaughter of steers, choice grade, and cows.
Column 3—table I column 4 plus table I column 7.
Column 4 and 5—table I columns 6 and 8.

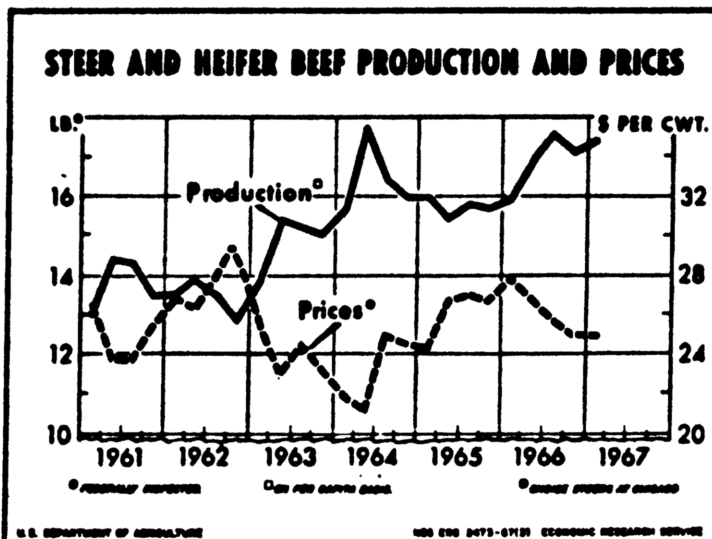
Notably, the historical difficulties in the choice steer market which covers meat destined for use as steaks, roasts and other prime cuts, have *not* been paralleled in the cow market, which supplies manufacturing meat. Chicago stockyard quotations, as reported by the USDA, indicate that average cow prices for both Utility and Canner/Cutter (Manufacturing grade) beef have increased substantially since 1960. In 1966 Utility grades averaged $18.02 per hundred weight—close to an all-time high. The following Table III reflects these trends. Table III consists of data taken from Table II compared with annual average live prices for domestic fed and manufacturing beef. It is believed that this Table clearly demonstrates that fed beef prices rise and fall in direct relationship to the supply of fed beef and are not affected by imports of lean meat.

Domestic table beef supply rose over immediately preceding years in 1955, 1956, 1959, 1960, 1961, 1963 and 1964, and in each of those years (with the exception of 1959) average steer prices fell. Domestic table beef supply fell in 1957, 1958, 1962 and 1965, and in each of those years average steer prices rose. No similar correlation may be drawn between steer prices and the size of imports.

Table IV, below, shows even more clearly the manner in which high-quality U.S. beef production and prices tend to reflect each other almost as exact mirror images.

[8] "This year fed cattle prices rose rather steadily from early spring into late summer. Choice steers at Chicago averaged $24.66 per 100 pounds liveweight in April, but by late-September they averaged about $27.40. The increase in price of high quality beef cattle largely reflects continued strong consumer demand and a moderation in fed cattle marketings over a year earlier." *Livestock and Meat Situation*, October 1967, p. 9, Economic Research Service, U.S.D.A.

TABLE IV



II. FURTHER CURTAILMENT OF MEAT IMPORTS WILL SUBSTANTIALLY INCREASE CONSUMER COSTS WHILE TENDING TO DEPRESS CATTLE PRICES

It has been reported that rising costs of food to the United States consumer parallel a rising level of value obtained for money spent for the basic food products.[6] The rising value to the American family in meat products is directly related to a free availability of manufacturing grade beef on which production of hamburgers, frankfurters, luncheon meats and other staple meat food products depends. As has been demonstrated above, imported lean manufacturing beef is necessary to a continuation of modestly-priced food products such as hamburger. The United States Tariff Commission found that 58% of beef imported in 1963 was used in the manufacture of humburgers.[7]

A surprisingly large factor in the economics of American "prime beef" production is the proper utilization of fat trimmings from American grain-fed beef in combination with lean manufacturing beef to make nutritious products such as hamburger and ground beef. To demonstrate the important relationship which exists between imported beef and hamburger, and the manner in which domestic high-value beef producers rely upon imports to utilize fat which would otherwise be wasted, the following is excerpted from the U.S. Tariff Commission's 1964 Report:

"The fat content of hamburger generally ranges from 25 to 35 percent. To obtain hamburger containing 25 percent fat, the butcher may grind together 60 pounds of imported boneless beef (fat content 10 percent) with 12 pounds of 100-percent fat trimmings from Choice steaks or roasts. For hamburger containing 30 percent fat, he may combine 40 pounds of rough Choice trimmings containing 60 percent fat with 60 pounds of imported boneless beef. In the foregoing examples, domestic boneless beef from Canner and Cutter cows may be substituted for the imported product, with adjustments being made for the slightly higher fat content of the domestic product (generally closer to 15 percent than 10 percent)."[8]

When retailers, chain stores and processors buy a beef carcass, the price they can afford to pay is directly dependent upon maximum utilization of all portions. When such purchasers cannot upgrade fatty trimmings by combining them with leaner meats to make processed products, these trimmings must be sold to the tallow renderer.[9] Since U.S. cattlemen and feeders are in a cost-price squeeze today due to an over-supply of grain-fed beef, they will be in a worse position if the large percentage of fat and trimmings generated on the

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[6] Grocery Manufacturers Association of America, Inc. *The ABC's of Food Prices*, May 1967.

[7] United States Tariff Commission Report on Beef and Beef Products, June 1964, TC Publication 128, p. 31.

[8] *Ibid.*, p. 32.

[9] "Beef trimmings", containing both fat and lean, with fat content ranging from 30%–60% account for about 23% of the average grain-fed carcass. 100% pure fat trimmings account for about an additional 11% of the carcass.

average grain-fed animal must be sold to the tallow renderer at approximately five cents a pound. Obviously, if supermarkets, for example, can sell these combined trimmings to the public as hamburger for 54.2 cents a pound, or 70.8 cents a pound as frankfurters,[10] American cattlemen receive a higher return than otherwise would be the case. The basic stockyard price for grain-fed beef is dependent on a full utilization of the carcass and trimmings.

Reduction of Imports Could Cause Severe Price Increase for Manufactured Products

Table V, below, shows estimated hamburger consumption in 1963 and 1966 broken down to show the sources from which the hamburger was produced. In 1966, it is estimated that 2.8 pounds of imported lean manufacturing beef per capita were consumed in the form of hamburgers. This means that, of the total 3.6 pounds of domestic fed beef fat trimmings per capita combined with lean beef to produce hamburgers, about 1.6 lbs. per capita are allocable to combination with imported (as opposed to domestic) lean manufacturing beef. Thus, 2.8 lbs. of imported meat combined with about 1.6 lbs. of domestic fat trimmings making a total of 4.4 lbs. indicated per capita hamburger consumption in 1966. In short, imported lean manufacturing meat is estimated to have accounted for over 13% of all hamburger consumed in 1966.

TABLE V.—ESTIMATED HAMBURGER CONSUMPTION IN 1963 AND 1966 (BY SOURCE OF PRODUCT)

	1963 [1]		1966 [1]	
	Pounds per capita	Quantity (millions of pounds)	Pounds per capita	Quantity (millions of pounds)
Sources of hamburger production:				
1. Hamburger produced from domestic beef trimmings only	21.2	3,950	24.0	4,645
2. Hamburger from combined fat trimmings and lean manufacturing beef:				
Domestic-fed beef fat trimmings	3.0	560	3.6	715
Domestic lean cow-bull beef	1.3	245	3.4	642
Imported lean beef	3.8	707	2.8	543
Subtotal	8.1	1,512	9.8	1,900
Total hamburger consumption	29.3	5,462	33.8	6,545

[1] Percent of total beef consumption per capita: 1963, 30.8 percent; 1966, 32.9 percent.

Note: In the preparation of this table, it has been assumed that all lean manufacturing beef used to make hamburger was combined with 100 percent fat trimmings as opposed to high-fat-content beef trimmings.

Sources: 1963, from exhibit No. 20 presented at Tariff Commission hearing 332-44 on beef and beef products. 1966 computed by Theracon, Inc.

Hamburger is a basic American meat food product. About 33% of all beef consumption during 1966 was in the form of hamburger, up from 30.8% in 1963. As has been demonstrated above, imports were responsible for an estimated 13% of total hamburger consumption in 1966. It is, therefore, reasonable to assume that elimination or curtailment of imported manufacturing grade beef would cause a sharp rise in the price of hamburger to the consumer. The Meat Importers' Council, Inc. undertook a survey to determine, to the extent possible, the potential effect on consumer prices of a new quota similar to that provided for in S. 1588 and H.R. 9475. The terms of S. 1588 were submitted to meat processors and retailers, including large national chain stores. Many of these concerns referred the matter to their own marketing staffs. Based on the response received, the Meat Importers' Council has concluded that hamburger prices would go up by at least 20%, and possibly by as much as 50% within a year.

It is impossible to make any exact prediction concerning consumer prices. However, the price increase would clearly be substantial because reduction of imports would constitute an artificial reduction of supply to a point below demand. The economic factors of supply and demand in relation to imported beef are discussed more fully under Point III, below.

At no time has consumption of hamburger in the United States been higher. With the advent of drive-ins, short-order restaurants, outdoor cooking and

[10] Average retail prices for 1966; Bureau of Labor Statistics.

similar modern living conveniences, per capita consumption of hamburger rose from 29.8 pounds in 1963 to 33.8 pounds in 1966. Estimates of hamburger consumption indicate a rise in total quantity from 5.4 billion pounds in 1963 to over 6.5 billion pounds last year.

Inflation, one of the stated causes of the cattlemen's outcries, is also a problem facing the housewife and every other American, but the principal cause of the cattlemen's present difficulties is the fact that fed cattle producers have over-produced, glutting the market and thereby depressing net return to the farmer. If, as we have demonstrated, lean beef is made scarce through import restrictions, the price of hamburgers and other processed products will go up at the corner butcher store or the drive-in cafeteria, but the net to the farmer and cattle-raiser will not improve and could even go down due to a lesser utilization of fat and trimmings.

Food products manufactured from domestic and imported lean meats are already at a high level, as shown by Table VI on the following page. A cut in imported meat would only serve to seriously aggravate rising price trends.

TABLE VI.—AVERAGE RETAIL PRICE COMPARISONS OF SELECTED MANUFACTURING BEEF PRODUCTS AND TABLE CUTS

[Cents per pound]

Year	Hamburger	Frankfurters	Bologna	Salami	Round steak	Rib roast
1957	42.0	56.5			93.6	73.8
1958	52.9	64.8			104.2	81.6
1959	54.9	64.0			107.3	82.7
1960	52.4	62.3			105.5	81.7
1961	51.2	63.1			103.6	80.7
1962	52.1	63.3			107.8	84.1
1963	51.3	63.2			106.4	83.7
1964	49.5	62.1	81.6	1.00	103.9	82.8
1965	50.8	66.2	85.2	1.03	108.4	89.7
1966	54.2	72.3	95.0	1.13	110.7	93.2
July 1967	53.9	70.8	99.0	1.13	109.8	94.1

Source: U.S. Department of Labor, Bureau of Labor Statistics.

III. VOLUME OF IMPORTED MEAT RESPONDS TO AMERICAN DEMAND AND CANNOT BE RELATED TO CHRONIC OVER-SUPPLY OF CHOICE CUTS BROUGHT ABOUT BY INJUDICIOUS RAISING AND FEEDING PRACTICES IN THE UNITED STATES

As shown above, table beef (generally synonymous with grain-fed beef) is produced in ever increasing amounts which exceed expanding demand. At the same time, domestic manufacturing or processing meat is in shorter and shorter supply.[11] Demand for manufactured products, on the other hand, has continued to outpace domestic manufacturing beef supply plus imports, resulting in premium prices for manufacturing beef. This situation is largely of the American cattlemen's own making since they have chosen to concentrate more and more on producing grain-fed beef.

"Too Doggone Much" U.S. Beef!

Imported boneless beef, the volume item under Public Law 88–482, does not directly affect prices and market conditions relating to high-priced table beef. With respect to such domestic products, the cattlemen themselves have through public statements and press releases conceded that they continually over-produce grain-fed beef. Trade journals and other publications have contained numerous recent references to this overproduction. The June, 1967 issue of *Feedlot Magazine*, at page 42, attributes the following remark to John H. Guthrie, president, American National Cattlemen's Association:

"Our main problem is we're producing too doggone much beef." [12]

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[11] The principal source of domestic manufacturing beef is dairy cows, breeding cows and bulls that have outlived their usefulness. Due to scientific advances such as increased milk yields from individual dairy cows, increasing use of artificial insemination and longer average cattle life, population of these animals has not increased. In fact, dairy cow population has declined over the last 15 years and bull population has held steady.

[12] See also the lead editorial on page 23 in the May 6, 1967 issue of the *National Provisioner*, one of many sources reporting a campaign launched on April 21, 1967 by the American National Cattlemen's Association (Market Development Committee) to establish an "industry-inspired guideline" aimed at cutting the national supply of beef by at least 5%. The editorial characterized the issue facing the cattlemen as "How the beef industry can get out from under the surfeiting abundance that threatens to bury it unless supply is brought into line with effective demand."

Imports Help Avoid Shortages of Manufacturing Meats and Smooth Out Erratic U.S. Production

Per capita consumption of all manufacturing beef has increased virtually without interruption since 1954, as shown by Table VII, below. While domestic production has risen, it has clearly not kept pace with rising demand. This trend which, of course, covers the period since the present quota was established in 1964, as well as non-quota years prior thereto, indicates that imports are indispensable as a supplement to domestic production if consumption needs are to be fulfilled. We submit that the sharp rise in per capita consumption of manufacturing beef from an average of 14.3 pounds in 1960 to approximately 17.2 pounds in 1966 provides ample proof that normal imports of this type of commodity are desirable and necessary.

TABLE VII.—SOURCE OF BEEF RAW MATERIAL FOR MANUFACTURING CONSUMPTION
PER CAPITA CONSUMPTION (POUNDS PER CAPITA)

Year	Domestic beef			Imported boneless beef	Total manufacturing consumption
	Boning cattle	Other[1] sources	Total[1]		
	(1)	(2)	(3)	(4)	(5)
1954	13.2	(2.5)	10.7	0.1	10.8
1955	14.0	(3.2)	10.8	.2	11.0
1956	13.6	(1.2)	12.4	.2	12.6
1957	12.3	(.7)	11.6	.7	12.3
1958	8.1	2.9	11.0	2.0	13.0
1959	7.3	2.6	9.9	3.4	13.3
1960	7.9	3.8	11.7	2.6	14.3
1961	7.0	3.4	10.4	3.6	14.0
1962	7.2	1.1	8.3	5.8	14.1
1963	6.3	1.5	7.8	6.5	14.3
1964	8.7	2.4	11.1	4.6	15.7
1965	11.9	.5	12.4	3.6	16.0
1966[2]	11.4	1.0	12.4	4.8	17.2
CARCASS WEIGHT (MILLIONS OF POUNDS)[3]					
1954	2,102	(390)	1,712	13	1,725
1955	2,269	(506)	1,763	29	1,792
1956	2,246	(190)	2,056	37	2,093
1957	2,065	(105)	1,960	112	2,072
1958	1,395	477	1,872	353	2,225
1959	1,280	449	1,729	596	2,325
1960	1,398	659	2,057	461	2,518
1961	1,253	622	1,875	649	2,524
1962	1,328	213	1,541	1,054	2,595
1963	1,173	245	1,418	1,223	2,641
1964	1,656	403	2,059	873	2,932
1965	2,289	52	2,341	698	3,039
1966[2]	2,210	126	2,336	937	3,273

[1] Domestic supply of boning cattle exceeded consumption 1954 to 1957. Since 1958 deficit supplied from fatty trimmings from the preparation of primal cuts or portion controlled steaks, roasts, etc., plus the production of bonless beef from utility grade cattle.
[2] Preliminary.
[3] All statistics converted, where appropriate to carcass equivalent.

Source: Calculated from USDA and U.S. Department of Commerce statistics.

Prior to 1957 meat imports were infinitesimal. In 1958, imports were twelve times as large as in 1956. It is clear that this dramatic increase in imports was caused by the sharp decline in domestic manufacturing beef supply in 1958.

Despite increased imports, total manufacturing beef supply was markedly smaller in 1958 than in 1957, causing a sharp increase in prices for Utility and Cutter grade cattle. During the same period, despite the rapid increase in imports, average Choice steer prices rose from $23.83 in 1957 to $27.42 in 1958. This price increase was the result of the fact that domestic table beef supply dropped in 1957 and 1958.

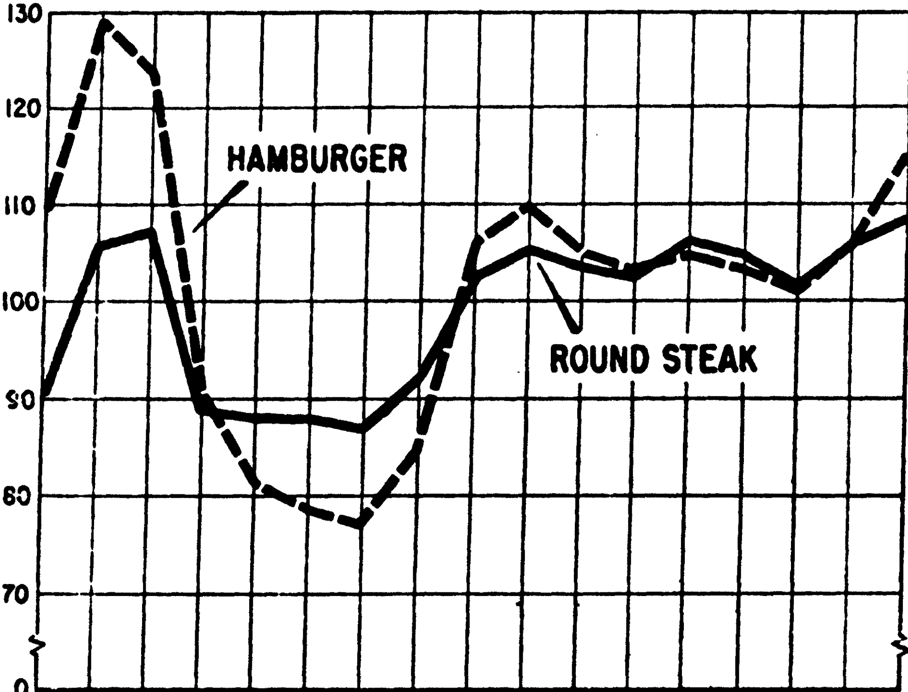
In 1963 and 1964 domestic table beef supply jumped sharply upward, driving steer prices down correspondingly. 1963, the year in which imports reached an all-time high, was the year in which domestic manufacturing supply reached by far the lowest point in recent history. Despite the size of imports in 1963, combined imported and domestic manufacturing beef supply was lower than in 1962.

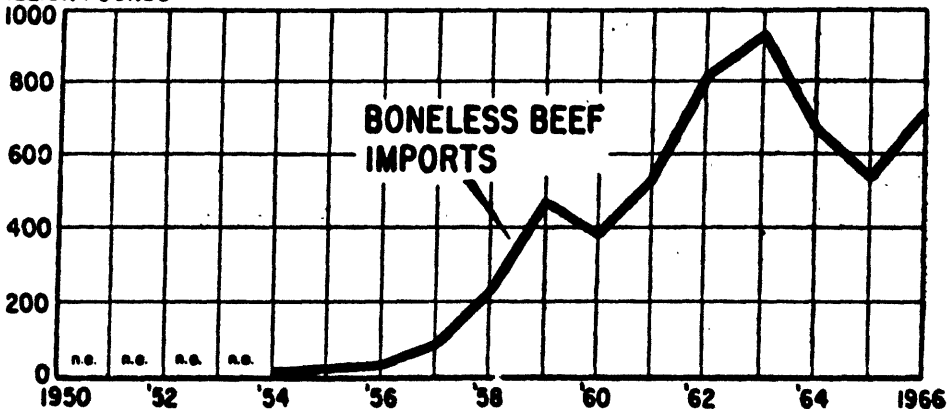
The increase of imports to a small but substantial level over the last decade has been in direct response to continuing short supply of domestic manufacturing beef. The increase in imports was caused by the short supply of domestic manufacturing beef, while price weakness for high-quality U.S. steers was caused by overproduction of U.S. table beef.

It is thus evident that imports supplement domestic supply as required by consumer demand. Without imports to even out the erratic domestic production and meet steadily rising consumer demand there would be serious and recurrent shortages of manufacturing grade meat.

Imports stabilize total U.S. supply of manufacturing meat and thereby stabilize prices of manufactured products to consumers. This is demonstrated by Table VIII, below. The Table shows indices of average retail prices for hamburger and

INDICES OF AVERAGE RETAIL PRICES OF SELECTED MEAT PRODUCTS AND U.S. IMPORTS OF BONELESS BEEF, 1950-1966





Source: Official Statistics of the U.S. Departments of Commerce and Labor.

round steak from 1950 through 1966, with 1957–59 as the base period. The chart also shows annual imports of boneless beef. Imports began to reach a substantial level in 1957. Prior to this time, consumer prices for hamubrger were affected by only one source of supply, i.e., domestic manufacturing beef production. While the hamburger and round steak indices followed like trends prior to 1957, the hamburger index trends were far more exaggerated. With the stabilizing influence of imports after 1957, the two indices follow almost exactly the same pattern maintaining reasonable price differentials between the two products.

CONCLUSION

In 1964 the cattlemen were successful in obtaining the enactment of Public Law 88–482. At no time since enactment of the said law have imports reached the maximum level which it is the declared policy of Congress to allow, much less approached the quota trigger point. Imports make up a very small percentage of total U.S. beef supply and Public Law 88–482 guarantees that they can never represent more than a small percentage.

Having received such protection in 1964, the cattlemen's present request is extraordinary, indeed. It comes at a time when cattle prices are rising, when demand is increasing, and when imports are, as the result of the normal interplay of supply and demand in the marketplace, well below quota level under existing law.

For the foregoing reasons, it is submitted that the imposition of new quotas or other restrictions on the importation of meat and meat products into the United States, would harm U.S. cattlemen and feeders, severely penalize consumers through sharp price increases in low-cost wholesome food items produced from U.S. and imported manufacturing beef, would injure domestic meat processors and would benefit no one. Imposition of new quotas on imported meat products would be contrary to the national interests of our country.

APPENDIX

MEAT IMPORTERS' COUNCIL INC.

MEMBERSHIP ROSTER

Allied Packers Co., Ltd.,
100 Old York Road,
Jenkintown, Pennsylvania 19046
American Consumer Industries, Inc.,
375 Park Avenue,
New York, New York 10022
Amtraco Commodity Corporation
2 Broadway,
New York, New York 10004
C. F. Anderson Markets, Inc.,
420 South Avenue,
Whitman, Massachusetts 02382
Austracan (USA) Inc.,
855 Avenue of the Americas,
New York, New York 10001
Balfour, Guthrie & Co., Ltd.,
225 California Street,
San Francisco, California 94111
B.N.S. International Sales Corp.,
52 Broadway,
New York, New York 10004
Booth American Shipping Corp.,
17 Battery Place,
New York, New York
Booth Cold Storage Division Consolidated Foods Corporation,
2 North Riverside Plaza,
Chicago, Illinois 60606
Thos. Borthwick & Sons (USA) Ltd.,
61 Broadway,
New York, New York 10006

Boukouris & Co. Ltd.,
80 Broad Street,
New York, New York 10004
Bernard Bowman Corporation,
122 East 42nd Street,
New York, New York 10017
Canada Packers,
25 Broadway,
New York, New York 10004
Capri Importers & Trading Enterprises Inc.,
3273 Hubbard Street,
Detroit, Michigan 48210
Central Beef Company,
25 Broadway,
New York, New York 10004
Capri Importers & Trading Enterprises Inc.,
3273 Hubard Street,
Detroit, Michigan 48210
Central Beef Company,
255 Southhampton Street,
Roxbury, Massachusetts 02119
Charleston Overseas Forwarders, Inc.,
406 Peoples Building,
P.O. Box 860,
Charelston, South Carolina 29402
Chicago Dressed Beef Company,
256 Franklin Street,
Worcester, Massachusetts 01604
Columbus Line, Inc.,
26 Broadway,
New York, New York 1004
A. J. Cunningham Packing Corporation,
88 Newmarket Square,
Boston, Massachusetts
Dalgety (USA) Inc.,
5901 N. Cicero Avenue,
Chicago, Illinois 60646.
Nicholas J. Defonte,
11 Broadway,
New York, New York 10004
Eugene A. Derba & Co. Inc.,
130 Newmarket Square,
Boston, Massachusetts 02118
B. DeYoung Co., Inc.,
1437 Gulf-To-Bay Blvd.,
Clearwater, Florida 33515
Ellerman & Bucknall Steamship Co., Ltd.,
26 Beaver Street,
New York, New York 10004
A. J. Elliott Motor Trans., Inc.,
Room 8, Commonwealth Pier,
Pier No. 5,
Boston, Massachusetts 02210
Erb Strapping Co., Inc.,
695 Washington Street,
New York, New York 10014
Farrell Lines, Inc.,
1 Whitehall Street,
New York, New York 10004
Furness, Withy & Co., Ltd.,
34 Whitehall Street,
New York, New York 10004
Garcia & Diaz, Inc.,
25 Broadway,
New York, New York 10004

Gulf Florida Terminal Co.,
Thirteenth & York Streets,
Tampa, Florida
Gurrents International Corporation,
200 South Craig Street,
Pittsburgh, Pennsylvania 15213.
Harborside Terminal Co., Inc., 34 Exchange Place, Jersey City, New Jersey 07302
Hill-N-Dale Meat Co., P.O. Box 61, Downingtown, Pennsylvania 19335
Intercontinental Meat Traders, Inc., 228 North LaSalle Street, Chicago, Illinois 60601
International Fisheries Trading Corp., 6986 N.W. 36th Avenue, Miami, Florida
International Packers, Ltd., 26 Broadway, New York, New York 10004
Kress-Dobkin Co., Inc., Parkway; P.O. Box 8539, Pittsburgh, Pennsylvania 15220
Levbak Trading Company, Inc., 200 21st Avenue; P.O. Box 3252, Seattle, Washington
Local & Western Shippers of Texas, Inc., 2131 Republic Natl. Bank Tower Bldg., Dallas, Texas 75201
Long Transportation Co., 3445 Paterson Plank Road, North Bergen, New Jersey
Manz Line Joint Service, 26 Beaver Street, New York 10004
Martin Packing Company, 49 Plane Street, Newark, New Jersey 07102
Meat Traders of California, 9015 Wilshire Blvd., Beverly Hills, California 90211
A. J. Mills & Co., Inc., 342 Madison Avenue, New York, New York 10017
Milwaukee Import Co., Inc., 2900 Fourth Avenue South, Seattle, Washington 98134
Murphy, Cook Terminal Corporation, 506 Bourse Building, Philadelphia, Pennsylvania 19106
Ovimpex, Inc., 11 Park Place, New York, New York 10007
Packers Provision Company, 1256 Old Skokie Road, Highland Park, Illinois 60035
Pennsylvania Refrigerated Terminals, Inc., Delaware & Oregon Avenues, Philadelphia, Pennsylvania 19148
Port Labeling Corp., 424 Hudson Street, New York, New York 10014
Port Line, Ltd., 25 Broadway, New York, New York 10004
Port Newark Refrigerated Warehouse, Building 125, Tyler & Mohawk Streets, Port Newark, New Jersey
G. A. Portello & Co., Inc., 2095 Jerrold Avenue, San Francisco, California 94124
Quick Fry Steak Co., Inc., P.O. Box 237, Villanova, Pennsylvania 19085
Quincy Market Cold Storage & Warehouse Co., 178 Atlantic Avenue, Boston, Massachusetts 02110
S. & W. Imports, Inc., 3725 South Halstead Street, Chicago, Illinois 60609
B. Schwartz & Company, 2055 West Pershing Road, Chicago, Illinois 60609
Myron Synder, Inc., 332 Newbury Street, Boston, Massachusetts 02115
South Carolina State Ports Authority, P.O. Box 827, Charleston, South Carolina 29402
John E. Staren Co., 120 South LaSalle Street, Room 1104, Chicago, Illinois 60603
John Thallon & Co., Inc., 50 Broad Street, New York, New York 10004
The Manhattan Refrigerating Co., 525 West Street, New York, New York 10014
The Tupman Thurlow Co., Inc., 155 East 44th Street, New York, New York 10017
Tobin Packing Co., Inc., 900 Maple Street, Rochester, New York 14611
Topel, Inc., 408 W. 14th Street, New York, New York 10014
Trugman-Nash, Inc., 105 Hudson Street, New York, New York 10013
Union Terminal Cold Storage Co., Inc., 12th & Provost Streets, Jersey City, New Jersey
York International Exchange Corporation, 60 East 42nd Street, New York, New York 10017
Ziel & Co., Inc., 230 California Street, San Francisco, California 94111

The CHAIRMAN. All right, Mr. Gibson.

STATEMENT OF MARVIN GIBSON, REPRESENTING THE CANNED MEAT IMPORTERS' ASSOCIATION

Mr. GIBSON. Thank you, sir.

Mr. Chairman, and honorable members of the Senate Finance Committee, I am Marvin Gibson. I represent the Canned Meat Importers'

Association. I might also say that I am a native-born American citizen presently residing in Argentina.

As senior vice president of International Packers, Ltd., a U.S.-owned corporation, I direct our company's Argentine operations. Our company is and has been for many years a major factor in the Argentine meat processing industry. We are doing our best to carry abroad the American trade flag in South America, and elsewhere in the free world.

As spokesman for the Canned Meat Importers' Association, I will show why quota restrictions should not be extended for the first time to the various classes of beef imported from South America, all of which are canned, preserved, or cooked prior to importation.

These imports represent less than six-tenths of 1 percent of the domestic beef and veal consumption or 120 million pounds out of a total of 21 billion pounds of domestic consumption. The products in question are covered by Tariff Schedule items 107.40, 107.45, 107.50, 107.55, and 107.6040.

These items consist of various classes of beef, all of which are canned, preserved, or cooked prior to importation. 95 percent of our imports of such items originate in Argentina, Brazil, Paraguay.

Quantitative restrictions should not be imposed on such tariff items for the following reasons:

1. Beef products imported from Argentina, Brazil, Paraguay, and Uruguay, which consist almost exclusively of canned and cooked frozen beef, are not produced commercially in the United States.
2. These products do not displace the sale of domestic beef since they are manufactured from the grades of manufacturing beef in short supply and in growing demand in the United States. Manufacturing beef is in short supply because domestic meatpackers have diverted production to table beef and because of the decline in our dairy cattle population.
3. The imposition of quotas on these products would cause special injury to lower income consumers. Canned corned beef and frozen dinner feed processors depend upon South American imports for their very survival.
4. The imposition of quota restrictions on these products would run directly counter to the announced trade policies of the United States, especially as they apply to Latin America.

In sum, such quotas could only injure domestic producers and lower income consumers and needlessly impair our trade relations with no counterweighing benefits to domestic cattle producers.

I am filing a statement in support of this position. I thank you.

(The statement referred to follows:)

STATEMENT OF THE CANNED MEAT IMPORTERS' ASSOCIATION, IN OPPOSITION TO THE IMPOSITION OF QUOTA RESTRICTIONS ON SOUTH AMERICAN BEEF, TARIFF SCHEDULE ITEMS 107.40, 107.45, 107.50, 107.55, AND 107.6040, PRESENTED BY MR. MARVIN GIBSON

SUMMARY

Quota restrictions should not be extended to Tariff Schedule Items 107.40, 107.45, 107.50, 107.55 and 107.6040. These items consist of various classes of beef all of which are canned, preserved or cooked prior to importation. Ninety-five per cent of our imports of such items originate in Argentina, Brazil, Paraguay and Uruguay.

Quantitative restrictions should not be imposed on such Tariff Items for the following reasons:

I. Beef products imported from Argentina, Brazil, Paraguay and Uruguay, which consist almost exclusively of canned and cooked frozen beef, are not produced commercially in the United States.

II. These products do not displace sales of domestic beef since they are manufactured from grades of beef in short supply and in growing demand in the United States.

III. The imposition of quotas on these products would cause special injury to lower income consumers.

IV. The impositoin of quota restrictions on these products would run directly counter to the announced trade policies of the United States, especially as they apply to Latin America.

In sum, such quotas could only injure domestic processors and lower income consumers and needlessly impair our trade relations, with no countervailing benefit to domestic cattle producers.

STATEMENT OF THE CANNED MEAT IMPORTERS' ASSOCIATION IN OPPOSITION TO THE IMPOSITION OF QUOTA RESTRICTIONS ON SOUTH AMERICAN BEEF

Mr. Chairman and Honorable Members of the Senate Finance Committee:

I am Mr. Marvin Gibson; I represent The Canned Meat Importers' Association. I might also say that I am a native-born American citizen, presently residing temporarily in the Argentine. As Senior Vice President of International Packers Ltd., a U.S. owned corporation, I direct our company's Argentine operations. Our company is and has been for many years a major factor in the Argentine meat processing industry. We are doing our best to carry abroad the American trade flag in South America and elsewhere in the free world.

As spokesman for The Canned Meat Importers' Association, I will show why quota restrictions should not be extended for the first time to the various classes of beef imported from South America, all of which are canned, preserved, or cooked prior to importation. These imports represent less than 6/10ths of 1% of domestic beef and veal consumption, or 120 million pounds out of a total of 21 billion pounds of domestic consumption.[1]

The products in question are covered by Tariff Schedule Items 107.40, 107.45, 107.50, 107.55 and 107.6040.

Tariff schedule item [1]	Tariff description	General description	Uses in United States	Percent of beef imports from South America in 1966
107.50	Beef prepared or preserved in airtight containers.	Canned beef, principally corned beef.	Retail sales; also used by U.S. producers in corned beef hash.	74.48
107.55, 107.6040	Other beef and veal: prepared and processed.	Cooked frozen beef	Processed by U.S. producers into frozen dinners, frozen meat pies, soups, etc.	25.39
107.40, 107.45	Cured or pickled beef and veal.	Dried beef, etc.	Retail sales	.13

[1] 1966 TSUSA imports (Bureau of the Census), table 1. See app. 2. None of the listed classifications apply to beef sausages, canned or otherwise. This statement is limited to a discussion of beef imports from South America, since veal imports are negligible.

Approximately 95% of all imports under these Tariff Schedule Items originate in Argentina, Brazil, Paraguay and Uruguay.[2] These are the only Items under which beef and beef products can be imported from South America.

The justice of the Association's position can be stated very briefly:

(1) Beef products imported from Argentina, Brazil, Paraguay and Uruguay, which consist almost exclusively of canned and cooked frozen beef, are not produced commercially in the United States.

(2) These products do not displace the sale of domestic beef since they are manufactured from grades of beef in short supply and in growing demand in the United States.

[1] 1967 Agricultural Statistics (USDA), Table 528. See Appendix 1.
[2] 1966 TSUSA Imports (Bureau of the Census), Table 1. See Appendix 2.

(3) The imposition of quota restrictions on these products would cause special injury to lower income consumers.

(4) The imposition of quota restrictions on these products would run directly counter to the announced trade policies of the United States, especially as they apply to Latin America.

I. Beef Products Imported From Argentina, Brazil, Paraguay and Uruguay Are Not Produced Commercially in the United States

None of the beef products imported from South America which we are discussing are commercially produced in the United States. There is, therefore, no domestic product to be protected by the imposition of quotas.

Canned Corned Beef is the single largest item, accounting for 75% of these imports, and South America is virtually our sole source of supply.[3] It is highly nutritious, versatile and economical, and for good reason is a standard ready-to-eat favorite particularly among lower-income families, whether for consumption at home or at work in the factory or field.

Domestic processors use Canned Corned Beef as a basic ingredient in the manufacture of Canned Corned Beef Hash, long a favorite dish of Americans, children and adults alike. Corned Beef Hash is an important item in the menus of schools, restaurants, hospitals and many other charitable institutions.

Cooked Frozen Beef accounts for virtually all the balance of the beef imports from South America. It has long played an important role in the domestic production of soups and has in the past three years become increasingly important to the growing frozen food industry in products such as Dinners and Pies.

In summary, United States manufacturers of Canned Corned Beef Hash, Frozen Beef Dinners, Beef Pies and other similar products have become dependent upon the South American beef imports because this type of beef is not available in sufficient quantities from the domestic industry.

To impose quotas on these imports does not protect any domestic production, but simply denies American consumers and food processors basic commodities upon which they depend. Any such quota would cause market disruption and lead to underemployment of workers in these domestic industries and tend to cause economic waste in American capital investment, both in the United States and South America, in the productive facilities engaged in the manufacture of these basic commodities.

II. These Products Do Not Displace Sales of Domestic Beef Since They Are Manufactured From Grades of Beef in Short Supply in the United States

Production of beef is in general divided into two basic categories, "table beef" and "manufacturing beef". "Table beef", derived from feed lot (grain-fed) cattle, is the well-marbled beef that goes to the family table and restaurants.

As a result of our growing population and higher income, the production of feed lot table beef has increased from 9.6 billion to 15.4 billion pounds from 1956 to 1966, an increase of 60%. Despite this increased production, the average price for choice steers has increased over the same period from $22.30 to $26.29, an increase of 18%.[4]

The beef products imported from South America are produced with leaner grass-fed beef, that is, the "manufacturing" type. These products have found a place in the United States market as a result not of price competition but of a domestic demand for manufacturing beef that by far exceeds the supply offered by the domestic industry which has diverted its own production from manufacturing beef to feed lot beef, a more profitable outlet for its weaner calves.

The decline in the production of manufacturing beef (cows and bulls) in the United States is also attributable to two additional factors:

(1) The decline in dairy herds because of increased production of the average dairy cow as a result of advances in technology and

(2) The relative stability in the herds of bulls, which reflects the increase in the use of artificial insemination.

This decline in the domestic production of manufacturing beef has taken place at a time when the consumers' demand for it has increased drastically, which

[3] In 1966 approximately one half of one percent of such imports came from areas other than South America. Data from 1966 TSUSA Imports (Bureau of the Census), Table 1. See Appendix 2.

[4] 1967 Agricultural Statistics (USDA), Table 464. See Appendix 3. Data relating to production from 1956 to 1963 is from the United States Tariff Commission report, "Beef and Beef Products", T.C. Publications 128 (June 1964); Data for subsequent years supplied by the Tariff Commission.

demand has been reflected in the continually rising price of manufacturing beef.[5]

The declining supply in domestic manufacturing beef has been graphically described by Dr. DeGraff, President of the American Meat Institute:

"In 1955 when our population was 165 million persons, we had a domestic output of 4.5 billion pounds of cow and bull beef [i.e., manufacturing beef]. This amounted to 27 pounds per capita. In 1963, with a population of 190 million people, we had a domestic production of 2.8 billion pounds of cow and bull meat—or 14 pounds per capita—almost a 50 per cent decline on a per capita basis. Even with 1.5 billion pounds of manufacturing-type beef imported last year, we still had an aggregate supply (domestic plus imported) of .5 billion pounds less than the aggregate in 1955—and 15 per cent less per person of our population . . ."[6]

Domestic manufacturing beef production in 1966 had still not attained the level of production in 1956 and continued to be available only on a cyclical basis, contrary to the needs of food processors.[7]

III. The Imposition of Quota Restrictions on These Products Would Cause Special Injury to Lower Income Consumers

Quota restrictions on South American beef would not benefit the domestic beef cattle industry, which is incapable of meeting the demand for manufacturing beef. They would affect the consumer who can least afford to pay the price of such restrictions. A consumer who cannot buy Canned Corned Beef certainly will not buy steak.

Corned Beef Hash, Frozen Dinners, Frozen Meat Pies, Soups—all products for which domestic processors utilize South American beef—are staple foods which contribute to a balanced diet at economy prices. To restrict imports of a basic commodity used in the manufacture of these products will not further the interests of domestic cattle raisers who offer no comparable substitute. The consumer who can least afford it, both in terms of income and nutrition, should not be required to assume a burden which serves no purpose.

IV. The Imposition of Quota Restrictions on These Products Would Run Directly Counter to the Announced Trade Policies of the United States, Especially as They Apply to Latin America

The United States has long encouraged the economic development of Latin America as evidenced in the recent GATT (General Agreement on Trade and Tariffs) negotiations and in the OAS (Organization of American States) and the Alliance for Progress. Even the Security of the United States and the Western Hemisphere is dependent upon economies capable of substantial growth while controlling inflation.[8]

At the close of the Punta del Este conference, the Presidents of the member states of the OAS, including President Johnson, agreed "to refrain from introducing or increasing tariff or nontariff barriers that affect exports of developing countries, taking into account the interests of Latin America". In addition the Presidents of the member states promised "to provide incentives and make available financial resources for the industrialization of agricultural production, especially through . . . the promotion of exports of processed agricultural products."[9]

The introduction of a quota restriction on classifications of meat over 95% of which are imported from South America would indicate a complete reversal of this policy, which was announced as recently as April 1967. Nor would there be any logic in reducing tariffs on certain of the meat classifications which are

[5] The average domestic prices for manufacturing beef comparable to the grades imported from South America were considerably higher in 1966 than in 1956; prices increased 50% for utility grade beef steers and 44% for commercial cows. 1967 Agricultural Statistics (USDA), Table 464. See Appendix 3.

[6] Speech delivered by Dr. DeGraff on March 5th, 1964 before the 16th National Livestock Conference in Omaha, Nebraska, as reported in J. Russell Ives, "Liverstock and Meat Economy of the United States", p. 161–162 (American Meat Institute Center of Continuing Education, 1966).

[7] Data relating to production from 1956 to 1962 is from the United States Tariff Commission report, "Beef and Beef Products", T.C. Publications 123 (June, 1964); Data for subsequent years supplied by the Tariff Commission. See Appendix 4.

[8] A recent study prepared for the Sub-Committee on American Republics Affairs of the Committee on Foreign Relations of the United States Senate has examined the seriousness of inflation in Latin America and found that proper trade policies can aid in the solution of this problem. "Study of the Alliance for Progress-Inflation in Latin America" (September 25, 1967), *passim*.

[9] "Declaration of the Presidents of America", Sections III, 5 and IV, 7 (April 14, 1967), published in The Department of State Bulletin, Vol. LVI, No. 1454, pp. 717, 718 (May 8, 1967).

the subject of this Statement (as in fact will be done by virtue of the June 1967 negotiations on GATT) if at the same time we are to impose a quota on imports of the identical products.

From the point of view of foreign trade rather than aid, it is clearly advantageous for the United States to encourage private investment in the countries of South America rather than to make additional outright grants. Yet, when the countries in question do not ask for foreign aid dollars but only request a chance to compete freely in the United States market, if the United States adopted the proposed quotas it would deny them free access to its markets and reverse its traditional position of encouraging self-help and private investment rather than foreign aid.

In each of Argentina, Brazil, Paraguay and Uruguay, the cattle business plays a significant role in the national economy.

These countries have been encouraged to make substantial investments in equipment and moderization of plants to process beef to meet the requirements of the United States Government. The curtailment of the present exports of beef from these countries would run directly counter to trade policies the United States has long encouraged and would result in a serious blow to their economics.

The imposition of quotas on beef imports from these South American countries would cast a dark shadow on South American trade relations. At the very least, the imposition of such quotas would result in the curtailment of United States exports to these South American countries.

Canned and cooked beef, which as expressed before are not produced commercially in the United States and therefore do not displace domestic products, have never been under quota. The beef products included in the tariff classifications under discussion are the traditional beef exports from South America to this country and are the only beef products which South American countries may sell to the United States.

For all of the foregoing reasons, The Canned Meat Importers' Association respectfully urges that no quota restrictions be placed on the treated meats imported into this country under Tariff Schedule Item Classifications 107.40, 107.45, 107.50, 107.55 and 107.6040. Such quotas could only injure domestic processors and lower income consumers, and needlessly impair our trade relations with no countervailing benefit to domestic cattle producers.

Let me make a few personal observations. Our Association has full faith in the future of the South American countries. I can attest first-hand that Argentina is a stalwart bastion of the private enterprise system. That nation has undergone many economic and political problems over recent years. Now, however, it is doing all within its power to regain full economic stability.

The governments of these South American Republics and their people have full faith in the word and undertakings of the United States Government. Anything that would serve to undermine that faith and their efforts to find a solid economic foundation could prove far more disastrous to the private enterprise system than any inroads of Castro or Red China.

Submitted by The Canned Meat Importers' Association.

International Packers, Ltd., Chicago, Illinois
The Tupman Thurlow Co., Inc., New York, New York
Transmundo Company, Inc., New York, New York
Hygrade Food Products Corp., Detroit, Michigan
Sampco Inc., Chicago, Illinois
Red Line Commercial Co., Inc., New York, New York
C.A.P. Sales Corp., New York, New York
Berns & Koppstein Inc., New York, New York
International Products Corp., Washington, D.C.
Charles A. Sayous Inc., New York, New York

APPENDIX 1

CATTLE, HOGS, AND SHEEP, 1967.—MEATS AND LARD: PRODUCTION AND CIVILIAN CONSUMPTION, UNITED STATES, 1909-66

Year	Beef			Veal			Lamb and mutton		
	Production	Consumption		Production	Consumption		Production	Consumption	
		Total	Per capita		Total	Per capita		Total	Per capita
	Million pounds	Million pounds	Pounds	Million pounds	Million pounds	Pounds	Million pounds	Million pounds	Pounds
1909	6,915	6,713	74.2	660	660	7.3	608	606	6.7
1910	6,647	6,508	70.4	667	667	7.2	597	596	6.5
1911	6,549	6,426	68.5	666	666	7.1	693	690	7.3
1912	6,234	6,153	64.6	662	662	6.9	735	729	7.7
1913	6,182	6,157	63.3	608	609	6.3	706	701	7.2
1914	6,017	6,144	62.0	569	572	5.8	693	708	7.1
1915	6,075	5,668	56.4	590	591	5.9	605	612	6.1
1916	6,460	6,003	58.9	655	656	6.4	585	595	5.8
1917	7,239	6,687	64.7	744	745	7.2	463	463	4.5
1918	7,726	7,167	68.5	760	761	7.3	506	499	4.8
1919	6,756	6,462	61.5	819	824	7.8	590	598	5.7
1920	6,306	6,293	59.1	842	852	8.0	538	578	5.4
1921	6,022	6,024	55.5	820	824	7.6	639	662	6.1
1922	6,588	6,503	59.1	852	858	7.8	553	565	5.1
1923	6,721	6,671	59.6	916	919	8.2	588	592	5.3
1924	6,877	6,786	58.5	972	977	8.6	597	596	5.2
1925	6,878	6,888	59.5	989	993	8.6	603	605	5.2
1926	7,089	7,074	60.3	955	959	8.2	639	637	5.4
1927	6,395	6,484	54.5	867	875	7.4	629	631	5.3
1928	5,771	5,872	48.7	773	781	6.5	663	662	5.5
1929	5,871	6,048	49.7	761	766	6.3	682	686	5.6
1930	5,917	6,021	48.9	792	794	6.4	825	824	6.7
1931	6,009	6,025	48.6	823	824	6.6	885	886	7.1
1932	5,789	5,830	46.7	822	822	6.6	884	882	7.1
1933	6,440	6,469	51.5	891	891	7.1	852	849	6.8
1934	8,345	8,066	63.8	1,246	1,182	9.4	851	798	6.3
1935	6,608	6,770	53.2	1,023	1,087	8.5	877	923	7.3
1936	7,358	7,742	60.5	1,075	1,075	8.4	854	849	6.6
1937	6,798	7,107	55.2	1,108	1,108	8.6	852	857	6.6
1938	6,908	7,058	54.4	994	994	7.6	897	894	6.9
1939	7,011	7,159	54.7	991	991	7.6	872	869	6.6
1940	7,175	7,257	54.9	981	981	7.4	876	873	6.6
1941	8,082	8,021	60.9	1,036	1,005	7.6	923	901	6.8
1942	8,843	8,049	61.2	1,151	1,084	8.2	1,042	950	7.2
1943	8,571	6,860	53.3	1,167	1,059	8.2	1,104	830	6.4
1944	9,112	7,146	55.6	1,738	1,594	12.4	1,024	857	6.7
1945	10,276	7,665	59.4	1,664	1,534	11.9	1,054	943	7.3
1946	9,373	8,533	61.6	1,443	1,384	10.0	968	923	6.7
1947	10,432	9,916	69.6	1,605	1,545	10.8	799	762	5.3
1948	9,075	9,163	63.1	1,423	1,384	9.5	747	733	5.1
1949	9,439	9,439	63.9	1,334	1,310	8.9	603	609	4.1
1950	9,534	9,529	63.4	1,230	1,206	8.0	597	596	4.0
1951	8,837	8,472	56.1	1,059	1,003	6.6	521	517	3.4
1952	9,650	9,548	62.2	1,169	1,099	7.2	648	640	4.2
1953	12,407	12,113	77.6	1,546	1,485	9.5	729	735	4.7
1954	12,963	12,743	80.1	1,647	1,591	10.0	734	730	4.6
1955	13,569	13,313	82.0	1,578	1,531	9.4	758	753	4.6
1956	14,462	14,121	85.4	1,632	1,572	9.5	741	735	4.5
1957	14,202	14,242	84.6	1,526	1,481	8.8	707	709	4.2
1958	13,330	13,786	80.5	1,186	1,150	6.7	688	719	4.2
1959	13,580	14,202	81.4	1,008	990	5.7	738	830	4.8
1960	14,728	15,122	85.2	1,109	1,093	6.2	768	852	4.8
1961	15,300	15,875	88.0	1,044	1,021	5.7	832	923	5.1
1962	15,298	16,300	89.1	1,015	1,003	5.5	808	949	5.2
1963	16,428	17,577	94.6	929	913	4.9	770	908	4.9
1964	18,429	18,879	100.1	1,013	990	5.3	715	795	4.2
1965	18,699	19,032	99.6	1,020	992	5.2	651	716	3.8
1966	19,694	20,108	103.8	910	881	4.5	650	771	4.0

APPENDIX 2

TABLE 1.—COMMODITY BY COUNTRY, U.S. IMPORTS FOR CONSUMPTION, CALENDAR YEAR 1966

TSUSA number and commodity, unit of quantity, and country of origin	Net quantity (pounds)	Value (dollars)
SCHEDULE 1. ANIMAL AND VEGETABLE PRODUCTS		
1068000—Edible meat offal, fresh chilled, or frozen, not over 20 cents per pound:		
Canada	419,636	63,250
Mexico	152,109	14,964
Guatemala	26,233	3,478
Honduras	41,836	6,152
Nicaragua	131,681	18,398
Costa Rica	13,752	2,174
Haiti	17,300	2,407
Gaza Strip	56,000	6,725
New Zealand	112,000	13,451
Total	970,547	130,999
1068500—Edible meat offal, fresh, chilled, or frozen, over 20 cents per pound:		
Canada	1,181,598	388,428
Mexico	16,319	4,766
Guatemala	6,807	2,008
Honduras	89,146	23,684
Nicaragua	9,003	2,655
Costa Rica	56,315	16,503
Australia	183,680	87,530
New Zealand	811,773	414,708
O Pw Af	6,600	4,335
Total	2,361,241	944,617
1071000—Fresh pork sausages:		
Canada	339,800	183,529
Japan	3,024	1,663
Total	342,824	185,192
1071500—Pork sausage, except fresh:		
Canada	491,864	457,125
Argentina	46,779	19,164
Denmark	503,705	284,712
Netherlands	71,842	68,875
West Germany	8,187	4,223
Austria	10,525	11,919
Spain	9,131	10,296
Italy	1,189,482	1,033,124
Yugoslavia	2,160	1,404
Other countries	1,050	796
Total	2,334,725	1,891,638
1072000—Sausages, beef, in airtight containers:		
Brazil	97,446	28,656
Paraguay	72,000	28,300
Uruguay	1,958,723	413,712
Argentina	1,048,217	350,019
Denmark	6,900	3,491
Other countries	350	507
Total	3,183,636	824,685
1072520—Beef sausage, except in airtight containers:		
Haiti	16,499	6,781
Uruguay	54,000	11,308
Denmark	44,114	24,894
Netherlands	65,756	46,790
West Germany	7,132	5,167
Other countries	2,500	750
Total	190,001	95,690
1072540—Sausages, except pork and beef sausages:		
Canada	34,287	28,074
Brazil	4,800	2,431
Sweden	7,750	3,623
Norway	1,014	1,021
Denmark	5,399,751	2,609,363
Netherlands	10,662	12,355
Belgium	8,505	6,381
West Germany	366,363	299,799
East Germany	1,800	1,209
Austria	11,540	13,746
Poland	7,200	2,844
Italy	134,992	148,520
Other countries	2,173	1,915
Total	5,990,837	3,131,281
1073020—Pork hams and shoulders, prepared or preserved, except boned, cooked, and canned:		
Canada	1,026,275	850,770
Denmark	36,610	30,783
Ireland	2,062	1,293
Netherlands	68,048	86,323
France	1,208	3,024
West Germany	176,611	247,046
Switzerland	1,458	2,632
Italy	290,094	471,284
Australia	3,622	3,106
Other countries	230	620
Total	1,606,218	1,696,881
1073040—Bacon, prepared or preserved except cooked, boned, and canned:		
Canada	3,155,293	3,301,721
Denmark	2,600	1,327
Ireland	174,680	104,948
Yugoslavia	5,513	2,303
Greece	19,541	17,998
Turkey	36,353	27,702
Lebanon	7,346	8,068
Rhodesia	1,431	1,090
Other countries	420	556
Total	3,403,177	3,466,711

APPENDIX 2—Continued

TABLE 1.—COMMODITY BY COUNTRY, U.S. IMPORTS FOR CONSUMPTION, CALENDAR YEAR 19[illegible]—Con.

SCHEDULE 1. ANIMAL AND VEGETABLE PRODUCTS

TSUSA number and commodity, unit of quantity, and country of origin	Net quantity (pounds)	Value (dollars)
1073060—Pork, not specifically provided for, prepared or preserved, except boned, cooked, and canned:		
Canada	338,423	189,508
Denmark	5,131	1,839
West Germany	11,967	16,114
Italy	28,394	37,511
Australia	5,591	34,602
Total	389,506	279,574
1073520—Pork hams and shoulders, boned, cooked and in airtight containers:		
Canada	2,450,851	2,351,983
Salvador	28,800	17,137
Sweden	19,668	16,210
Finland	27,540	18,648
Denmark	87,702,479	69,822,687
United Kingdom	79,350	59,239
Netherlands	59,179,116	43,586,259
Belgium	33,123	19,857
France	5,820	5,984
West Germany	1,283,382	1,069,697
East Germany	69,180	57,578
Czechoslovakia	1,672,336	987,298
Hungary	4,800	3,249
Switzerland	862	1,792
Poland	38,879,023	27,896,931
Spain	6,474	5,613
Portugal	71,856	51,021
Italy	28,988	31,986
Yugoslavia	6,596,690	4,661,932
Turkey	5,273	3,995
Japan	48,190	29,261
Libya	36,465	25,210
Other countries	656	605
Total	198,230,922	150,724,172
1073540—Pork bacon boned and cooked and packed in airtight containers:		
Canada	26,132	19,306
Denmark	16,321,191	8,232,752
Ireland	1,775	1,138
Netherlands	611,743	340,063
West Germany	199,997	120,332
Poland	85,194	51,418
Yugoslavia	2,226	1,552
Total	17,248,258	8,766,561
1073560—Pork not elsewhere specified, boned and cooked and packed in airtight containers:		
Canada	6,472	5,805
Salvador	14,400	3,547
Sweden	18,777	6,095
Denmark	12,373,556	4,475,301
Netherlands	5,114,901	1,777,449
West Germany	117,612	40,165
Czechoslovakia	358,320	213,479
Hungary	4,800	3,677
Poland	12,643,411	8,142,979
Portugal	5,220	3,813
Italy	3,441	6,595
Yugoslavia	2,130,528	1,422,823
Pakistan	9,600	5,341
Libya	10,680	7,800
Total	32,811,718	16,114,869
1074500—Beef or veal, pickled or cured, valued over 30 cents per pound:		
Canada	11,361	17,761
Mexico	3,872	5,121
Guatamala	59,050	35,430
Nicaragua	112,150	76,657
Haiti	137,419	78,323
Brazil	110,230	57,100
Argentina	41,787	20,893
Denmark	16,422	6,679
Switzerland	3,460	7,012
Total	495,751	304,976
1075000—Beef, except sausage, prepared or preserved in airtight containers:		
Canada	102,076	62,646
Bolivia	59,544	15,763
Chile	3,675	1,662
Brazil	14,017,234	5,131,125
Paraguay	14,058,691	5,530,566
Uruguay	8,947,274	3,078,498
Argentina	52,824,642	20,756,189
Norway	4,320	1,087
Denmark	9,000	2,853
United Kingdom	6,736	3,738
Ireland	27,720	10,025
Netherlands	18,000	5,400
West Germany	2,100	1,515
Czechoslovakia	44,974	16,386
Poland	62,824	29,518
Malaysia	71,850	25,588
Japan	38,685	20,151
Australia	78,444	37,205
Other countries	1,303	1,247
Total	90,399,092	34,731,163
1075500—Beef, veal, prepared or preserved, not specifically provided for, valued not over 30 cents per pound:		
Canada	30,000	2,850
Other countries	700	644
Total	30,700	3,494
1076020—Beef and veal prepared, not preserved, except frozen, valued over 30 cents per pound:		
Canada	1,609,653	701,576
Nicaragua	5,378	5,486
Argentina	3,730,624	1,985,133
Australia	271,082	121,126
New Zealand	68,394	53,387
Other countries	342	258
Total	5,685,473	2,866,968
1076040—Beef and veal, preserved, except frozen, valued over 30 cents per pound:		
Canada	72,996	34,014
Brazil	4,113,262	2,379,206
Argentina	22,812,647	12,688,731
Denmark	60,150	22,462
France	1,847	1,762
Australia	3,339,308	1,564,087
Other countries	3,184	1,863
Total	30,403,394	16,692,125

APPENDIX 2—Continued

TABLE 1.—COMMODITY BY COUNTRY, U.S. IMPORTS FOR CONSUMPTION, CALENDAR YEAR 1966—Con.

SCHEDULE 1. ANIMAL AND VEGETABLE PRODUCTS

TSUSA number and commodity, unit of quantity, and country of origin	Net quantity (pounds)	Value (dollars)
1076500—Frog meat, prepared or preserved:		
Japan (total)	13,397	17,281
1077000—Meat and edible offal, not elsewhere specified, prepared or preserved, not over 30 cents per pound:		
Canada	27,180	3,790
Mexico	7,550	1,965
Norway	8,820	2,151
Denmark	2,766,604	737,514
Netherlands	36,000	10,103
Poland	256,860	64,106
Other countries	9,657	1,852
Total	3,112,671	821,481
1077500—Meat and edible offal, not elsewhere specified, prepared or preserved, not over 30 cents per pound:		
Canada	37,515	13,448
Mexico	8,560	3,466
Jamaica	3,900	1,406
Dominican Republic	3,761	1,504
Uruguay	26,532	8,616
Argentina	158,567	49,063
Sweden	81,585	30,199
Norway	68,321	28,269
Denmark	12,415,846	4,169,679
United Kingdom	3,514	2,691
Netherlands	78,128	32,956
Belgium	5,595	6,612
France	723,667	678,389
West Germany	518,8[illegible]4	190,408
East Germany	28,026	10,200
Switzerland	26,992	26,939
Poland	64,800	23,235
Turkey	2,496	1,460
Hong Kong	5,144	8,705
Japan	33,285	17,045
Australia	681,601	292,380
New Zealand	34,663	27,649
British West Pacific Islands	2,570	6,128
Total	15,011,892	5,630,447
1078000—Meat extract, including fluid:		
Canada	24,928	27,594
Brazil	65,952	277,020
Paraguay	5,824	20,944
Uruguay	18,984	79,763
Argentina	413,780	1,101,404
Denmark	5,400	3,494
Netherlands	35,175	38,813
Australia	389,274	2,631,497
New Zealand	34,440	89,717
Other countries	220	469
Total	983,977	4,270,715
1101005—Smelts, fresh chilled or frozen but not otherwise preserved:		
Canada	9,034,253	1,460,272
Brazil	13,750	1,238
Italy	12,160	2,797
Japan	3,600	1,116
Total	9,063,763	1,465,423

TSUSA number and commodity, unit of quantity, and country of origin	Net quantity (pounds)	Value (dollars)
1101010—Albacore, whole, fresh, chilled or frozen but not otherwise preserved:		
Canada	66,258	11,898
Trinidad	1,019,215	146,042
Netherlands Antilles	2,504,620	619,475
French West Indies	493,000	120,349
Spain	354,059	65,490
Portugal	11,220	2,917
Malaysia	9,006,112	2,043,320
Singapore	578,000	133,952
Korean Republic	1,763,080	357,158
Taiwan	1,418,323	308,939
Japan	70,912,255	15,821,148
British West Pacific Islands	15,510,366	3,420,860
Trust Pacific Islands	199,946	38,751
Canary Islands	5,108,337	1,125,909
Senegal	567,398	139,013
Sierra Leone	717,443	143,488
Ivory Coast	5,407,219	1,129,269
Ghana	1,090,000	239,800
Madeira	362,899	85,740
Liberia	738,740	147,748
Mauritania	1,531,971	413,640
Republic of South Africa	2,532,000	506,400
Total	121,892,461	27,021,304
11010:5—Albacore, except whole, fresh or frozen but not otherwise preserved:		
Spain	1,444,434	198,610
Japan	2,414,773	409,310
Total	3,859,207	607,920
1101020—Yellowfin, whole, fresh, chilled or frozen but not otherwise preserved:		
Canada	1,390	1,120
Panama	390,000	180,980
Jamaica	500,000	75,000
Ecuador	2,246,262	332,422
Peru	7,239,685	1,205,569
Chile	412,000	62,419
France	331,548	33,155
Malaysia	738,138	154,318
Taiwan	105,637	23,066
Japan	4,411,761	616,545
Canary Islands	1,926,679	472,624
Senegal	174,284	17,426
Sierra Leone	2,483,871	370,895
Ivory Coast	207,490	43,338
Other countries	10,931	1,365
Total	21,179,676	3,590,242
1101025—Yellowfin, fresh, chilled, or frozen, eviscerated, not beheaded:		
Netherlands Antilles	1,338,460	325,530
French West Indies	111,000	22,862
Peru	8,540	1,814
Chile	310,000	40,189
Portugal	313,060	79,831
Malaysia	9,777,978	2,105,508
Indonesia	200,000	45,726
Philippine Republic	1,492,995	280,289
Korean Republic	290,000	49,300
Taiwan	2,547,984	558,057
Japan	67,367,149	15,023,694
Australia	8,024	1,400
British West Pacific Islands	4,113,092	862,822
Trust Pacific Islands	94,382	10,865
Canary Islands	747,961	183,371
Sierra Leone	123,330	21,080
Ivory Coast	1,325,655	266,432
Ghana	596,000	119,200
Liberia	171,280	29,974

Note: Due to a classification error, imports totaling $1,985,133 credited to Argentina in classification 107.6020 should appear in classification 107.6040.

APPENDIX 4

United States Tariff Commission, *Beef and Beef Products*, TC Publication 128 (June 1964), p. 40–41

The following tabulation presents estimates of the domestic commercial production of meat from steers and heifers (used primarily as fresh table beef) and meat from cows and bulls (manufacturing beef), annual average 1950–52 and annual 1953–63 (in billions of pounds):

	Meat from steers and heifers	Meat from cows and bulls
Average: 1950-52	5.9	3.0
Annual:		
1953	8.2	3.7
1954	8.4	4.1
1955	8.7	4.4
1956	9.6	4.4
1957	9.7	4.1
1958	9.7	3.2
1959	10.3	2.9
1960	11.3	3.0
1961	12.1	2.8
1962	11.9	2.9
1963	13.2	2.8
Data supplied by Tariff Commission:		
1964	14.6	3.4
1965	14.0	4.3
1966	15.4	4.1

CATTLE AND CALVES: AVERAGE PRICE PER 100 POUNDS, BY GRADES, AT CHICAGO, 1945-66

Year	Beef steers [1]							Cows, Commercial	Veal calves, Choice and Prime
	Prime	Choice	Good	Standard	Commercial	Utility	All grades		
1945	$17.30	$16.00	$14.12	....	....	$11.73	$16.18	$13.65	$15.12
1946	20.24	19.32	17.36	....	....	13.75	19.16	14.62	16.87
1947	30.64	26.22	21.76	....	....	18.04	23.83	17.84	24.98
1948	35.24	30.98	26.31	....	....	22.16	30.88	22.64	29.02
1949	28.65	26.07	23.17	....	....	19.77	25.80	18.41	27.64
1950	32.43	29.68	26.08	....	....	22.86	29.35	21.48	31.08
1951	38.11	35.96	33.37	....	$30.97	28.31	35.72	27.76	37.19
1952	35.17	33.18	30.10	....	26.39	22.70	32.38	21.74	34.42
1953	26.56	24.14	21.56	....	18.74	15.77	23.62	13.92	25.04
1954	27.53	24.66	21.81	....	18.32	15.27	24.23	13.28	23.07
1955	23.62	23.16	21.14	....	17.62	14.79	22.59	12.98	24.80
1956	25.45	22.30	19.39	$17.68	15.47	14.20	22.00	12.72	23.62
1957	26.19	23.83	21.66	18.82	19.16	18.53	23.48	14.83	25.93
1958	28.92	27.42	25.85	23.89	23.35	21.91	27.09	19.76	32.20
1959	29.32	27.83	26.69	24.82	23.16	22.32	27.53	19.11	....
1960	27.82	26.24	24.80	22.07	21.79	19.82	25.93	16.21	28.07
1961	26.08	24.65	23.46	21.30	22.25	19.68	24.46	16.07	....
1962	29.81	27.67	25.51	22.70	21.87	20.77	27.20	15.89	....
1963	24.89	23.96	23.01	20.65	20.59	18.91	23.79	15.11	....
1964	24.10	23.12	21.91	18.57	17.11	16.92	22.86	13.57	....
1965	27.71	26.19	24.16	21.17	21.58	19.18	25.81	14.58	....
1966	27.11	26.29	25.32	23.34	24.00	21.27	26.17	18.31	....

The CHAIRMAN. Any questions?

Thank you very much, gentlemen.

Now we will go on. There is a suggestion that we call Mr. C. W. McMillan and Mr. Magdanz.

Mr. ROBERSON. Thank you, Mr. Chairman.

Senator CARLSON. Mr. Chairman, while they are coming to the witness chair, I would like to submit for the record two letters, one from the national president of the National Farmers Union, Tony T. Dechant, with regard to imports and their effect on farm prices, and also a letter from the National Farmers Organization, from Harvey Sickels, their secretary and legislative representative.

The CHAIRMAN. That will be made part of the record.
(The letters referred to follow:)

NATIONAL FARMERS ORGANIZATION,
Corning, Iowa.

Senator FRANK CARLSON,
Member, Senate Finance Committee,
Washington, D.C.

DEAR SIR: The National Farmers Organization, with only farmers as members from 28 states, primarily in the midwest, is vitally interested in your study of the Quotas Import Act. The National Farmers Organization is a service organization bargaining for a price for the production of its members.

We are continually concerned about the influx of foreign food products into the United States at a time when farm prices received by American farmers are at 75% of parity. The recent action by the Common Market in setting community wide export subsidies amounting to approximately 50 cents per two pound canned ham will, without a doubt, depress the U.S. canned ham market.

Dairy products were allowed to flow freely into the United States earlier this year further depressing the prices of dairy products at a time when the American dairy farmer was being forced to liquidate his herd because cost of production was so much higher than the price he was receiving for his milk and he had used up his capital reserve and could no longer stay in business.

The total amount of beef and veal imports were up 27% in 1966 over the previous year; meat under the meat import quota amendment (public law 88-482) up 34%; pork imports up 14%; lamb imports up 19%; mutton imports up 102%; with present indications that meat imports will continue to rise.

This all in the face of continued information given to Congress and the administration by economists, farm organizations, farm leaders and by farmers themselves as shown by the 35,400 farmers traveling to Des Moines, Iowa, at their own expense, to protest low farm prices.

We know that the balance of imports and exports of all agriculture products are in favor of the American farmer or so we have been told many times by the Department of Agriculture. This has not improved prices of the grain products that are exported.

It seems to us that if our government wishes to play marbles with foreign countries, using farm products as marbles, by manipulation of exports and imports, then the government should buy said marbles from the farmer at 100% of parity prices and quit asking American agriculture to subsidize the game.

We respectfully request that this statement be entered into the record for the consideration of the committee.

Yours truly,

HARVEY SICKELS,
Secretary and Legislative Representative.

NATIONAL FARMERS UNION,
Denver, Colo.

Hon. FRANK CARLSON,
Senate Finance Committee,
Washington, D.C.

DEAR FRANK: Since our request for an appearance at the October 18-19 Finance Committee hearings on import legislation was denied, I am writing to you and to other members of the Committee to briefly state our position on this important matter.

Farmers Union feels that the trade policy followed by this country the last thirty years enhanced agriculture's opportunity to participate profitably in the international exchange of goods. We have worked for legislation to expand and liberalize trade and we support continued efforts to liberalize trade, provided producers are protected against sudden and substantial import increases over traditional levels.

We are concerned over loosely drawn regulations that allow importers to evade quotas by using loopholes to flood the market with agricultural products, usually those from abroad that are in over-supply. This quota circumvention, not uncommon, occasionally borders on dumping.

Present methods of dealing with these situations, such as the Section 22 proceedings, are so time-consuming and cumbersome that an agricultural sector

is seriously damaged before relief can be provided. This is one trade problem area we urge the Committee to carefully consider.

The long campaign by Farmers Union and others to curb imports of Colby cheese and other non-quota dairy products is a specific case in point. Although it was amply clear that quotas were circumvented and that imports were headed for a price-depressing level of 4 billion pounds milk equivalent, it took several months to get a Section 22 proceeding started. Then it required several more months to complete the Tariff Commission phase, close the loopholes, and obtain relief. We need new procedures so obviously needed relief can be promptly secured.

A similar situation has developed in cotton where importers are evading the raw cotton quotas by bringing in large quantities of yarn. Some imported meat products also escape quota regulation, permitting evasion that at times is substantial.

I want to assure the Committee that these examples, felt in terms of reduced income by producers, influence agriculture's changing attitude toward trade. They have changed more than a few to out-and-out protectionists.

The protectionists that concern us most, however, are the huge steel, oil and chemical industries campaigning to negate the Kennedy Round of tariff-cutting agreements. We are apprehensive over this because retaliation of other nations, which will sure come, will be against U.S. agricultural exports. The results of this kind of international economic warfare would be disastrous for farmers.

Farmers Union supports the agreements that came out of the Kennedy Round negotiations and we are hoping for prompt Senate ratification. We were disappointed that attempts to gain guarantees of access to the European Common Market for grains were unsuccessful. But we feel significant gains were made overall. We do not intend to stand by and see these gains scrapped in a fight over protectionism launched by the oil, steel and chemical industries.

We feel some legislation is needed, however. We would favor, for example, expansion of the use of escape clauses or injury determination clauses in the Trade Expansion Act. We urge the Committee to consider improvements in procedures, and in levels of assistance, available to industries damaged by trade agreements.

When increased imports exceed a certain percentage of domestic production, we feel the Tariff Commission should officially declare that a serious injury exists for the domestic industry involved. Thus, when the specified conditions exist, we feel it should become mandatory upon the President to provide tariff adjustment for the affected industry, to authorize adjustment assistance to employes of these industries, and to allow tax relief to affected businesses. Since it is in the national interest to have liberal trade policies, we are saying, it also is a national responsibility to assure that no industry is ruined in the process.

Escape clauses now are inadequate, in our view, because they allow too much discretion in injury determination and because they frequently require legislative action, rather than administrative authority, for adjustment. We also feel the Section 22 procedure is far too cumbersome and time-consuming and too restrictive in regard to conditions needed to trigger it. We feel, too, that a trade group or farm organization should be permitted to petition for a Section 22 action, rather than having to wait for the Secretary of Agriculture to make the initial determination.

Please feel free to call on us for supporting data, for further comment on trade legislation, or for additional material of any kind. Farmers Union is firmly committed to reduce unnecessary obstacles to world trade. We feel this policy strengthens both agriculture and the Nation.

Kindest regards.

Respectfully yours,

TONY T. DECHANT,
National President.

The CHAIRMAN. I believe you have agreed, gentlemen, you are going to abbreviate these statements if you could.

STATEMENT OF DON. F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION

Mr. MAGDANZ. Thank you very much, that is correct.

I am Don Magdanz, executive secretary of the National Livestock Feeders Association, with headquarters in Omaha, Nebr. We repre-

sent people who are in the business of feeding and finishing livestock for the slaughter market.

Out of consideration to the committee, and in deference to the other people who have allowed us to proceed, we have agreed that we are going to summarize very briefly and then ask permission of the chairman to file our complete statement for the record.

The CHAIRMAN. You have a rather full statement that will be printed in the record.

Mr. MAGDANZ. Thank you, sir. It will take me about 4 minutes.

The CHAIRMAN. Thank you.

Mr. MAGDANZ. In our presentation we address ourselves to the need for revisions in the quota system to the importation of certain meat and meat products as provided for in Public Law 88-482. In so doing, we support and encourage the provisions contained in S. 1588 introduced by Senator Roman L. Hruska and cosponsored by 38 other Members of the Senate.

It is our contention that the imposition of quotas is the only practical means of restraining and limiting the flow of meat products into our domestic market. Specifically, we are recommending the establishment of actual quotas by law on the high volume products entering our markets—namely, fresh, chilled and frozen beef, veal and mutton—and the authorization for quotas on pork and lamb as well as cooked, cured, and canned meat products should it be necessary to prevent unwarranted increases in the quantity of such articles imported into the United States.

Domestic livestock feeders and producers are in the untenable position of having to compete with volume supplies of foreign-produced meat and meat products which can be offered in our market at prices from modestly to considerably lower than the prevailing prices for domestic product of like quality. All too often in years past returns and profits in the livestock industry are not reasonable and in keeping with other segments of the economy; in fact, severe losses have been sustained by those engaged.

Livestock prices are primarily supply oriented. The financial wellbeing of livestock operators depends upon the maintenance of a balance between the meat supplies available and the demand in the United States at prices that are sufficiently favorable to produce a living and reasonable profit.

Imports in whatever form contribute to this supply, and are thus price depressing. In fact, the domestic market is subject to the two-pronged impact of imports resulting from added volume and prices that undersell our market.

It is our contention, Mr. Chairman, that to argue that imports of beef, veal, and mutton, which are largely used for manufactured and processed products, and thus do not compete with the meat from fed animals, is ridiculous and without foundation. It has been clearly established that all red meat products compete with one another to varying degrees regardless of the form in which they are marketed.

The National Livestock Feeders Association is currently engaged, along with other organizations, in some intense programs and campaigns aimed at stabilizing supplies, marketing in a regular and orderly pattern, holding down average slaughter weights, and maintaining production at a level that will command the favorable live-

stock prices of which we speak. All of these are in the nature of self-help programs in an attempt, through voluntary cooperation and realizations, to improve the financial climate for the industry.

While we feel we can point to some measure of success through these programs, we still have much to do and will need to maintain them constantly. Imported meat products work directly against these industry efforts and accentuate the problems we are trying to correct. The added supplies offered at lower prices and the irregularity in which they arrive tend to counteract these efforts being carried on for the benefit of American producers, and in our complete statement, Mr. Chairman, we support these points that I have just made, and also have included a number of tables and charts that illustrate them.

For these reasons, we recommend the legislation designed to tighten the existing quotas, to provide for the establishment of quotas in the law and on a quarterly basis, and to grant authority for discretionary quotas on those products not covered by the present law should there be unwarranted increases in the quantity arriving in our markets.

That, Mr. Chairman, concludes the summary that we would like to make at this time, and we thank you and the committee for the privilege of appearing.

The CHAIRMAN. Thank you.

(The prepared statement referred to follows:)

PREPARED STATEMENT OF THE NATIONAL LIVESTOCK FEEDERS ASSOCIATION, OMAHA, NEBR.

(By Don F. Madgdanz, Executive Treasurer)

SUMMARY

In this presentation for the National Livestock Feeders Association, we address ourselves to the need for revisions in the quota system on the importation of certain meat and meat products as provided for in Public Law 88-482. In so doing, we support and encourage the provisions contained in S. 1588 introduced by Senator Roman L. Hruska and co-sponsored by 38 other members of the Senate.

It is our contention that the imposition of quotas is the only practical means of restraining and limiting the flow of meat products into our domestic market. Specifically, we are recommending the establishment of actual quotas by law on the high volume products entering our markets, namely, fresh, chilled and frozen beef, veal and mutton, and the authorization for quotas on pork and lamb as well as cooked, cured and canned meat products should it be necessary to prevent unwarranted increases in the quantity of such articles imported into the United States.

Domestic livestock feeders and producers are in the untenable position of having to compete with volume supplies of foreign-produced meat and meat products which can be offered in our market at prices from modestly to considerably lower than the prevailing prices for domestic product of like quality. All too often in years past, returns and profits in the livestock industry are not reasonable and in keeping with other segments of the economy; in fact, severe losses have been sustained by those engaged.

Livestock prices are primarily supply oriented. The financial well-being of livestock operators depends upon the maintenance of a balance between the meat supplies available and the demand in the United States at prices that are sufficiently favorable to produce a living and reasonable profit.

Imports in whatever form contribute to this supply, and are thus price depressing. In fact, the domestic market is subject, to the two-pronged impact of imports resulting from added volume and prices that under-sell our market.

To argue that imports of beef, veal and mutton, which are largely used for manufactured and processed products, and thus do not compete with the meat from fed animals, is ridiculous and without foundation. It has been clearly established that all red meat products compete with one another to varying degrees regardless of the form in which they are marketed.

The National Livestock Feeders Association is currently engaged, along with other organizations, in some intense programs and campaigns aimed at stabilizing supplies, marketing in a regular and orderly pattern, holding down average slaughter weights, and maintaining production at a level that will command the favorable livestock prices of which we speak. All of these are in the nature of self-help programs in an attempt, through voluntary cooperation and realizations, to improve the financial climate for the industry.

While we feel we can point to some measure of success through these programs, we still have much work to do and will need to maintain them constantly. Imported meat products work directly against these industry efforts and accentuate the problems we are trying to correct. The added supplies offered at lower prices and the irregularity in which they arrive tend to counteract these efforts being carried on for the benefit of American producers.

For these reasons, we recommend the legislation designed to tighten the existing quotas, to provide for the establishment of quotas in the law and on a quarterly basis, and to grant authority for discretionary quotas on those products not covered by the present law should there be unwarranted increases in the quantity arriving in our markets.

INTRODUCTION

Speaking for the National Livestock Feeders Association, I first express our sincere gratitude to the Chairman and the Senate Committee on Finance for the opportunity to present our views, comments, and arguments with respect to more restrictive import quotas on certain meat products. We compliment the Committtee for holding these public hearings relative to various proposals now pending before the United States Senate on the important subject of import quotas.

The National Livestock Feeders Association is a voluntary non-profit, non-political trade organization sustained entirely by membership dues. Those who belong are engaged in the business of feeding and finishing livestock (cattle, hogs, and lambs) for the slaughter market, and they have associated themselves in order to determine policy and speak for the feeding industry. Though membership does exist in over twenty states, it is most prominent in the vast livestock feeding area of the north central and plains states.

In the discussion that follows, we shall address ourselves to the matter of more restrictive quotas on certain meat products which are covered, to a degree at least, under existing law. In so doing, we wholeheartedly support the provisions contained in S. 1588 introduced by Senator Roman L. Hruska on April 20, 1967, in which legislation he has been joined by 38 other members of the Senate. We pay our highest compliments to the author and all of the co-sponsors of the pending bill for recognizing a very serious problem faced by livestock people, which group represents a huge segment of the over-all agricultural industry in the United States.

STATEMENT OF INTEREST

Most typically, those people represented by the National Livestock Feeders Association own the livestock they grow or finish in the production phase of supplying red meat for American consumers. They purchase feedlot replacement animals in the framework of a competitive market, and sell them under the same market conditions in which supply (domestic production, imports, and supplies of competing or substitute products), and the type and flow of this supply, is a most important determinant of price. Perhaps needless to say, livestock feeding is a high risk business and the business risks inherent in such an operation are assumed by the livestock feeders, themselves. It follows, therefore, that they are not only vitally interested in, but their financial well being depends upon, the maintenance of a balance between meat supplies and the consumer demand in the United States at prices that are sufficiently favorable to produce a living and reasonable profit.

All too often in years past, profits in the livestock industry have not been reasonable and, in fact, severe losses have been sustained by those engaged. Since imports represent a percentage of that supply which is a most important price determinant, and they contribute to further fluctuation in that supply, we have a primary concern with the volume of allowable imports which come into our market and compete with the domestic production. The situation might be less unreasonable if we had equal opportunities for the sale of our domestic production abroad, but such equal opportunity does not exist with respect to most domestically produced livestock meat and meat products.

PREVIOUS ACTIONS TO CONTROL IMPORTS

The members of the National Livestock Feeders Association became alarmed over imports of beef, veal, and mutton in 1958 when the volume reached 636,397,-000 pounds, product weight, which figure amounted to 250% of the 249,447,000 pounds, received in 1957. (See Table I) The volume increased still more in 1959 and in that year we filed an application with the United States Tariff Commission for what was then known as an "Escape Clause" investigation. The application was subsequently withdrawn because conclusions reached by the Tariff Commission in the interim made it rather obvious an unfavorable decision would be forthcoming with respect to beef and veal.

Imports of these products declined from 769,697,000 pounds in 1959, to 549,911,-000 pounds in 1960, and then began an upward trend again reaching the peak level of 1,185,286,000 pounds in 1963, according to figures published in the Livestock-Meat-Wool Market News and by the Foreign Agricultural Service, U.S. Department of Agriculture. Converted to carcass weight equivalent, the 1963 figure represented approximately 10% of our domestic production, coming at a time when live cattle prices were at disastrous levels and severe losses were being sustained by those in the cattle production and feeding business.

By 1964, the industry was grossly upset and could see no other alternative than legislative restrictions in the form of quotas established by law. As you know, the Congress of the United States shared this intense alarm and enacted the present statute known as Public Law 88-482. This law was passed under conditions of tremendous opposition from the Executive branch of our government and in the final analysis, it was necessary to make some unwanted compromises in order to obtain a signature.

As Table I shows, imports of beef, veal and mutton were reduced some in 1964 and 1965 to 834,707,000 and 731,166,000 pounds, respectively, but rose again in 1966 to 953,832,000 pounds in 1966, a figure that approaches the peak year of 1963. From the record of imports in the first seven months of 1967, and the estimates made by the Secretary on products covered by the law, it appears that total imports of beef, veal and mutton in 1967 will equal or exceed the volume in 1966.

It goes without saying that the law was less than desired by the people in the industry and by the majority of both Houses in the Congress. Nevertheless, we were willing to accept it temporarily as were members in the Senate and in the House, with the feeling it might be reviewed in due time and its deficiencies corrected.

It is obvious that a great many members of the United States Senate share in the feeling that these deficiencies do exist, and are anxious to conduct this review. Evidence of this, of course, is the near majority of the members who have joined in the introduction of pending legislation.

I do not believe it is necessary to impose upon the Committee with a detailed explanation of the deficiencies to which we refer. They are well known and have been very ably spelled out by the author of S. 1588 and other members of this distinguished body in numerous presentations on the floor of the Senate. Therefore, I shall confine the remaining remarks in this statement to the need for more restrictive legislation and the reasons therefor.

QUOTAS OFFER ONLY MEANS OF RESTRAINT

First of all, we submit that the establishment and imposition of quotas offers the only practical means for necessary restrictions. Higher tariffs would not provide a solution to the problem because of the relatively lower value of imported beef and veal as compared to that in our domestic production. Furthermore, additional tariffs would in no way control or level out the volume that might on occasion be imported.

To substantiate the statement that imported beef is offered in our market at lower values, we refer you to Table II wherein we have listed, on numerous dates in late 1966 and in 1967, comparative wholesale prices of domestic and imported cow beef as well as comparative prices of domestic and imported bull beef. The prices are carlot wholesale figures and have been reported in the National Provisioner. Two columns in the Table give the differences in the prices for domestic and imported beef. These differences are significant, the highest figure listed being $7.50 per cwt. It must be taken into account that ocean freight, insurance, and U.S. duties have already been paid on the imported meat and it is still offered in our market at lower figures.

Beyond this, we are operating under the philosophy of lower tariffs instead of higher duties. It is well known we have just completed extensive negotiations through which tariffs have been reduced on numerous products in foreign trade. Though this trend may some day be reversed, a change does not appear to be probable in the foreseeable future and we are acutely in need of corrective remedies now.

In the negotiations just ended, it has been reported by the Foreign Agricultural Service in the publication "Foreign Agriculture", October 9, 1967, "One of the major disappointments in the Kennedy Round for the United States was the failure of the participants to negotiate better access for fresh, chilled, and frozen been into major world markets such as the EEC. Although the United States does not have a large export interest in this kind of beef, freer access to other world markets is important for the U.S. livestock industry. Closed markets for beef elsewhere mean greater pressure from foreign suppliers on the U.S. market."

Even though concessions were received from the EEC in the form of duty reductions and bindings, the United States did not succeed in breaking the variable levy system used by the countries in the European Common Market. This simply means that concessions received may not in actual practices be as meaningful as it appears, because the levies over and above duties can still be used whenever the EEC desires.

To counteract this situation and avoid pressures on the United States market from beef that otherwise might be sold in other countries, we contend that the imposition and tightening of quotas is the procedure that must be used by the United States to avoid injury sustained by the domestic industry.

PROTECTION FROM IMPORTS IS VITAL

Again, we would like to respect the time of the Committee and do not believe it necessary to impose further on the members of the Senate with a long and detailed explanation supporting the impact and adverse effects that imports have on our domestic price level. This was well established during and prior to 1964 through extensive presentations to the United States Tariff Commission at hearings beginning April 28, 1964, and at hearings in March of that same year conducted by this Committee. The necessity of this protection was acknowledged by the Congress in its passage of Public Law 88-482, and we compliment the members for this recognition.

It should be sufficient to briefly review here that livestock prices are primarily supply oriented. This is true in the short run as well as over a period of years.

Regardless of attemps to "cloud" the issue, imports do add materially to the overall tonnage of meat supplies, and beef, veal, and mutton in particular. The arguments that imports do not affect fed beef prices, and thus fed cattle prices, to any degree, because such meats are used primarily in the manufacture of processed products, is absolutely without foundation. Those proponets of such erroneous arguments do give substantial weight to supplies of competing meats, such as pork, poultry, fish, and the like, when discussing the factors influencing beef prices.

It is a fact, of course, that when a family is eating chicken, lamb, pork, turkey, etc., it is not eating beef and veal. The same logic applies to the vast array of processed meats and meat products. In other words, when a family is eating one of these, it is not at the same time consuming fresh beef.

The same may be said for the impact that more processed and manufactured products from imported beef and veal has upon the price level of domestic pork and hogs, as well as lamb. In fact, we might say that domestic red meat products are their own closest competitors regardless of the form in which they are marketed.

Attempts are often made to draw a fine line between the factors which affect the fed market, for instance, and the so-called cow or processing type market, and treat these as two separate and distinct markets so far as price is concerned. Although it is undoubtedly true that the degree of competition diminishes as we move towards the extremes of the scale (Choice or Prime fed beef on the one end and Canner beef on the other,) there continues to be definite competition between the two extremes. Additional tonnage of meat products moving into the domestic market arena and supplied by imports serves to increase this competition and hold price levels down. We submit, also, that the impact of imports on the domestic price level is greater than just the supply because of the lower prices at which the same quality of imported product can be offered.

in the market. This means that price injury resulting from imports is greater than the actual volume would indicate and thus makes quotas even more significant and necessary.

SPECIFIC MODIFICATIONS SOUGHT IN PRESENT LAW

In succeeding paragraphs, I would like to review briefly those specific modifications in the present law which would be accomplished by S. 1588, and to support the reasons for these modifications.

The imposition of quotas under PL 88-482 are dependent upon advance estimates, required to be made by the Secretary of Agriculture, in the volume of imports that may be received in the year ahead. While this estimate can be, and has been, modified on a quarterly schedule, and even though they are made in good conscience and as accurately as possible, we submit the merit of setting specific quotas on the products involved by determinations set out in the law. This would eliminate the speculation surrounding the volume of imports allowed each year and provide information to the industry on a fairly exact volume that would be accepted.

We are now operating under provisions for quotas based on the average imports in the five years, 1959-1963. This five-year average includes the two highest years of record—1962 and 1963. While the industry and most members of the Congress have never sought the elimination of imports, and we do not do so now, we contend that the base years of 1959-1963 allow for a level of imports that is simply too high. Therefore, we strongly urge that this basing period be changed, as contained in S. 1588, to the average level of imports in 1958-1962, which, in our opinion, would be a more realistic figure and still allow access of foreign nations to our American market with a volume equivalent to a percentage of our domestic production.

On another point, the imposition of quotas under existing statute cannot become effective unless it is estimated by the Secretary, that the volume of imports for the year will exceed the quota level by 10% or more. This provision is commonly referred to as the "ten per cent override". It simply means that exporting countries could actually send us up to 10% over the quota and said quotas would not be imposed unless it was estimated that a little more than the 10% was due to arrive. The elimination of this extra volume seems entirely justified since we now really provide for allowable imports up to 110% of the quota.

Quotas on the products covered by present law are on an annual basis only, thus allowing for rather wide fluctation in the tonnage that may be allowed from month to month. Table III attached and covering the years 1964, 1965, 1966, and the first eight months of 1967, show the fluctations which have taken place in each of these years. In addition, Charts I through IV graphically illustrate the pronounced irregularity of the imports of beef, veal and mutton.

We seek quarterly quotas amounting to a volume equal to one-fourth of an annual figure which will be a step toward modifying the swings which have occurred and probably would continue in future years. Such a requirement is absolutely necessary under the framework of industry efforts towards stabilization of supplies which I will elaborate on later in this presentation.

Present law makes provision for quotas on only beef, veal and mutton that is in the categories of fresh, chilled and frozen. Without question, these are the imported products, the volume of which has risen phenomenally beginning in 1958 and reached high percentages of domestic production.

Not to go unnoticed, however, is the fact that imports of lamb and pork have also risen rather consistently since 1957. By 1966, imports of lamb reached 14,884,000 pounds, and imports of pork totaled 298,340,000 pounds, both figures given in product weight. You are referred to Tables IV and V that are part of this presentation wherein we have listed the imported figures for each year from 1957 through the first 7 months of 1967.

While existing statute does not provide for quotas on pork and lamb, neither does it provide for limitations on cooked, cured and canned beef, veal and mutton. Though not a drastic increase, imports of these latter products have risen some since 1964 and, unless precautions are taken, could increase to a degree that is much more pronounced.

The Charts I through IV illustrate both total imports of beef, veal and mutton as well as the volume covered by the 1964 law. The volume between the two charted lines, which largely amounts to cooked, cured and canned products, is generally widening, reflecting some increase in these types of products.

Again, S. 1588 would establish quotas on the Tariff items of fresh, chilled

and frozen beef, veal and mutton. It does not establish, and we do not suggest, specific quotas for pork and lamb as well as cooked, cured and canned products. We do recommend, however, and feel necessary, the provisions contained in S. 1588 that would authorize the President to limit, by proclamation, the total quantity of products other than fresh, chilled and frozen beef, veal and mutton, if it is necessary to prevent unwarranted increases in the quantity of such articles imported into the United States. These limitations would be in the form of what are commonly referred to as discretionary quotas. Such authority would provide the means for preventing exporters to the United States from changing the form or containers of products and thus circumventing the law.

IMPORTS DEFEAT INDUSTRY EFFORTS AT STABILIZATION

In this closing chapter, we would like to call attention to some of the circumstances in domestic production which have prevailed and created problems for the industry, and then to explain what the industry is doing to alleviate these problems. Finally, we will point out how large volumes of imported meat products work directly against these industry efforts and accentuate the problems we are trying to correct.

The historical records of domestic production of red meat animals show rather definite swings, and in years past the peaks and valleys have occurred with reasonable regularity. Nearly everyone is acquainted with the so-called cattle cycle which used to run its course in a fairly consistent number of years.

These cycles of production, however, have been tending to level off which simply means that the peaks and valleys of production have become less pronounced. As a result of various circumstances, the domestic industry is moving to stabilize production of red meat animals and be more consistent on a generally upward trend in the volume of meat provided in an expanding market. This is a healthy development, considered to be of great benefit to those engaged in the production and feeding business and, at the same time, a more regular supply of food is being made available to consumers. More and more cattle feeders are feeding cattle in all months of the year and tend to maintain a rather stable number in their lots. This is in contrast to a situation years ago when many cattle feeders would buy only one or two shipments of cattle a year and after they were finished, their lots would be empty for a period of time.

Likewise, swine production has tended to be more nearly stable throughout a year. Formerly we had a rather huge spring pig crop reaching the market in heavy volume during the fall and winter, with a much lesser crop in the fall arriving at the market in lower numbers in the following spring and summer. We still have a larger pig crop in the first two quarters than in the last two quarters of a year, but we no longer have the great differences that existed years ago. There are many swine producers who are farrowing sows at regular intervals of four months, three months, and two months, and some have their operation geared to farrowing every month in the year.

At least some credit for more stabilization can be claimed by livestock organizations for their recognition of problems arising from irregular production and their consistent recommendations that production be stabilized as much as possible. For quite a number of years, the National Livestock Feeders Association has urged its members and others in the industry to feed cattle more consistently throughout the year and has pointed out the very definite advantages of this type of operation. At the same time, we have engaged in campaigns encouraging the orderly and regular marketing of fed animals, not only from week to week throughout each year, but from day to day throughout the week. We are happy to note there has evidently been considerable response to these recommendations and to these campaigns.

At the same time, this Association has been intensely engaged in programs encouraging swine producers to voluntarily farrow sows at more intervals throughout each year, and thus spread out the nation's pig crop as evenly as possible. Hogs generally reach market weight from five to seven months after they are born and thus the farrowing pattern rather definitely dictates the market availability. Again, we can point with some pride to the developments and feel we can claim some credit for them.

Along with these programs just explained which have been conducted by the National Livestock Feeders Association, we have also encouraged the marketing of cattle at lighter and more uniform weights. This for the purpose of

holding domestic beef production to a volume that will be accepted in the market at prices more favorable to feeders and producers and more equitable in relation to costs and prices of other commodities in this economy.

Early this year, 1967, when the fed cattle market was seriously depressed and rather severe losses were again being sustained by cattle feeders, this Association intensified its campaign on the weight problem. Average weights of slaughter steers were running much too high and, during the second week of January, the average weight of all steers sold at seven major markets was 1,1[illegible] pounds. Again, there has been definite response to such a campaign and by the week ending October 2, the average weight of all steers at these same markets was 1,1[illegible] pounds. In the continuance of this educational effort, we hope it will be possible to hold average weights at, or below, present levels, and thus contribute to the more favorable price level for fed steers and heifers which we are seeking and are so necessary.

Other organizations representing cattle growers are engaged in similar activities with respect to the production of cattle in an attempt to stabilize numbers and thus contribute to the solution of the problems we have when domestic supplies of beef may exceed what the market will absorb at favorable prices. They encourage the sale of feeder cattle at younger ages and lighter weights so the cattle feeder can finish the animals to the grade desired before they reach an excessive slaughter weight. We join in these campaigns as well, but as an organization of livestock feeders, we emphasize more the matter of orderly and regular marketing of slaughter cattle and the average slaughter weight, because this is the particular area of our memberships' operations.

All of these are in the nature of self-help programs being conducted by this Association and others in an attempt, through voluntary cooperation and realizations, to improve the financial climate for livestock people. While we feel we can point to some measure of success up to this time, and expect to be even more successful in the future, we certainly cannot depend on such cooperation from foreign nations with respect to products exported to the United States. These imports not only add to our tonnage, but are able to undersell the same kind and quality of domestic products, thus exerting a two-pronged price depressing impact. In so doing, they counteract the very things we are trying to accomplish for the benefit of American producers.

Furthermore, these imports enter the United States with considerable variation in volume from month to month, and thus tend to defeat the pattern of production and stabilization which we are trying to attain. Again we refer you to Charts I through IV showing the monthly imports of beef, veal, and mutton in the years 19[illegible] through the first seven months of 1967. The top line in each chart traces total imports of beef, veal, and mutton in these months and years, whereas, the lower line shows the categories of these products covered by existing law. The lower line in the chart for 1964 represents the products that would have been covered had the law existed in that year.

We call attention to the rather wide swings in the volume of products received from month to month. The highest figure being 100.2 million pounds during June of 19[illegible] and the lowest figure being 28.2 million pounds in the month of January, 19[illegible]. In addition to the impact these imports have on our entire meat market, the irregularity of the receipts contributes to instability and varied tonnage in the total supply available. We wonder, therefore, how we can expect to achieve the goals we seek unless we at the same time can modify the volume of outside products entering our market and establish limitations on a quarterly basis that will tend to even out the flow that may be allowed.

CONCLUSION

These are the reasons and the arguments for tightening the existing quotas, providing for the establishment of quotas in the law and on a quarterly basis, and granting authority for discretionary quotas on those products not covered by the present law should there be unwarranted increases in the quantity.

We appreciate the opportunity for this presentation and the public hearings being conducted. We express the hope that this Committee and the Congress will honor the recommendations we have made and take favorable action on the provisions as contained in S. 1588.

TABLE I.—TOTAL BEEF, VEAL, AND MUTTON, U.S. IMPORTS, PRODUCT WEIGHT, 1957-67

Year:	Million pounds
1957	249.447
1958	636.397
1959	769.697
1960	549.911
1961	734.040
1962	1,032.505
1963	1,185.286
1964	834.707
1965	731.166
1966	953.823
1967 (7 months)	537.341

[In million of pounds]

Month	1964	1965	1966	1967
January	96.970	31.438	60.263	87.211
February	53.901	39.740	68.794	68.484
March	77.094	75.820	56.323	71.988
April	69.367	40.189	70.996	66.800
May	55.699	63.541	59.877	60.961
June	105.568	56.299	112.230	80.665
July	53.676	68.684	72.189	101.232
August	88.080	73.870	101.303	....
September	58.441	74.872	104.742	....
October	54.130	78.236	95.912	....
November	60.840	66.960	75.163	....
December	60.941	63.517	76.031	....
Total	834.707	731.166	953.823	537.341

Sources: Foreign Agricultural Service and Livestock, Meat, Wool Market News, U.S. Department of Agriculture.

TABLE II.—CARLOT WHOLESALE BONELESS BEEF PRICES

[Per hundredweight]

Year	Cow beef			Bull beef		
	Domestic	Imported	Difference	Domestic	Imported	Difference
1966:						
Sept. 1	$52.50	$46.00	$6.50	$54.00	$50.00	$4.00
Sept. 15	52.50	48.00	4.50	54.00	50.75	3.25
Oct. 7	52.00	48.38	3.62	53.00	51.00	2.00
Oct. 13	52.00	47.88	4.12	53.00	51.00	2.00
Nov. 1	49.50	46.50	3.00	53.00	49.50	3.50
Nov. 15	50.50	46.75	3.75	52.50	49.50	3.00
Dec. 2	50.00	47.50	2.50	52.00	50.25	1.75
Dec. 15	50.00	47.88	2.12	52.00	50.50	1.50
1967:						
Jan. 2	53.00	47.88	5.12	53.50	51.00	2.50
Jan. 16	53.00	49.00	4.00	54.00	51.00	3.00
Feb. 3	52.75	48.75	4.00	53.00	51.00	2.00
Feb. 15	53.00	48.25	4.75	53.50	50.50	3.00
Mar. 1	52.50	47.38	5.12	53.00	49.50	4.00
Mar. 15	52.00	47.18	4.82	54.00	49.50	4.50
Apr. 3	52.50	47.88	4.62	54.00	50.00	4.00
Apr. 14	52.50	48.00	4.50	54.00	50.50	3.50
May 1	53.00	47.75	5.25	54.00	50.50	3.50
May 15	53.00	47.00	6.00	54.00	50.50	3.50
June 1	53.00	46.63	6.37	54.00	50.25	3.75
June 15	53.00	47.17	5.83	54.00	50.50	3.50
July 3	53.50	47.00	6.50	54.00	50.50	3.50
July 14	54.50	47.00	7.50	55.75	51.25	4.50
Aug. 1	52.50	46.75	5.75	52.50	51.50	1.00
Aug. 15	53.50	46.75	6.75	53.50	51.50	2.00

Source: Reported in National Provisioner.

TABLE III.—BEEF, VEAL, AND MUTTON, U.S. IMPORTS, COVERED BY 1964 LAW, PRODUCT WEIGHT, 1964[1]–67

[In millions of pounds, by months]

Month	1964[1]	1965	1966	1967[2]
January	87.2	28.2	51.4	77.4
February	44.9	34.5	60.3	58.5
March	68.9	68.7	49.4	61.9
April	61.3	32.4	63.3	58.8
May	51.1	52.3	52.0	51.5
June	98.1	41.9	100.2	69.6
July	43.8	58.5	61.4	88.7
August	79.4	59.9	87.1	92.2
September	49.7	62.2	91.5	
October	46.3	64.4	79.7	
November	55.8	57.2	61.1	
December	53.3	53.7	66.0	
Total	639.8	613.9	823.4	558.6

[1] Law not in effect in 1964. Figures represent volume of product that would have been covered had the law applied.
[2] 8 months.

Sources: Livestock and Meat Products Division, Foreign Agricultural Service, U.S. Department of Agriculture.

TABLE IV.—LAMB, U.S. IMPORTS, PRODUCT WEIGHT, 1957–67

Year:	Million pounds
1957	1.796
1958	6.802
1959	9.455
1960	12.434
1961	10.940
1962	13.138
1963	18.924
1964	10.438
1965	12.539
1966	14.884
1967 (7 months)	5.585

[In millions of pounds]

Month	1964	1965	1966	1967
January	1.864	0.026	1.698	0.819
February	1.075	.476	1.264	.591
March	.770	1.816	1.644	.987
April	.399	.646	2.423	.972
May	.781	2.069	1.354	.810
June	1.335	.604	1.742	.516
July	1.181	1.200	1.210	.890
August	.653	.976	.755	
September	.748	.849	.630	
October	.538	1.038	1.136	
November	.341	1.823	.409	
December	.753	1.016	.619	
Total	10.438	12.539	14.884	5.585

Source: Foreign Agricultural Service and Livestock—Meat—Wool Market News, U.S. Department of Agriculture.

TABLE V.—PORK, U.S. IMPORTS, PRODUCT WEIGHT, 1957–67

Year:	Million pounds
1957	133.0
1958	182.7
1959	174.9
1960	171.3
1961	172.8
1962	203.8
1963	210.5
1964	210.5
1965	262.3
1966	298.3
1967 (7 months)	183.6

[In millions of pounds]

Month	1964	1965	1966	1967
January	16.749	7.413	25.533	22.669
February	16.023	20.986	26.504	26.734
March	19.676	26.774	31.498	31.745
April	16.330	27.712	29.056	23.848
May	17.691	18.633	22.447	25.254
June	16.979	22.068	25.829	27.775
July	17.825	20.521	21.958	25.551
August	15.894	21.035	17.787	
September	17.892	23.078	22.037	
October	18.073	22.966	26.293	
November	16.852	20.693	24.242	
December	20.640	30.390	25.165	
Total	210.524	262.269	298.349	183.574

Sources: Foreign Agricultural Service and Livestock-Meat-Wool Market News, U.S. Department of Agriculture.

TABLE VI.—BEEF AND VEAL, U.S. TOTAL COMMERCIAL PRODUCTION, CARCASS WEIGHT, 1958-67

Year:	Million pounds
1958	14,086
1959	14,162
1960	15,399
1961	15,890
1962	15,867
1963	16,896
1964	18,965
1965	19,261
1966	20,355
1967 (7 months)	13,903

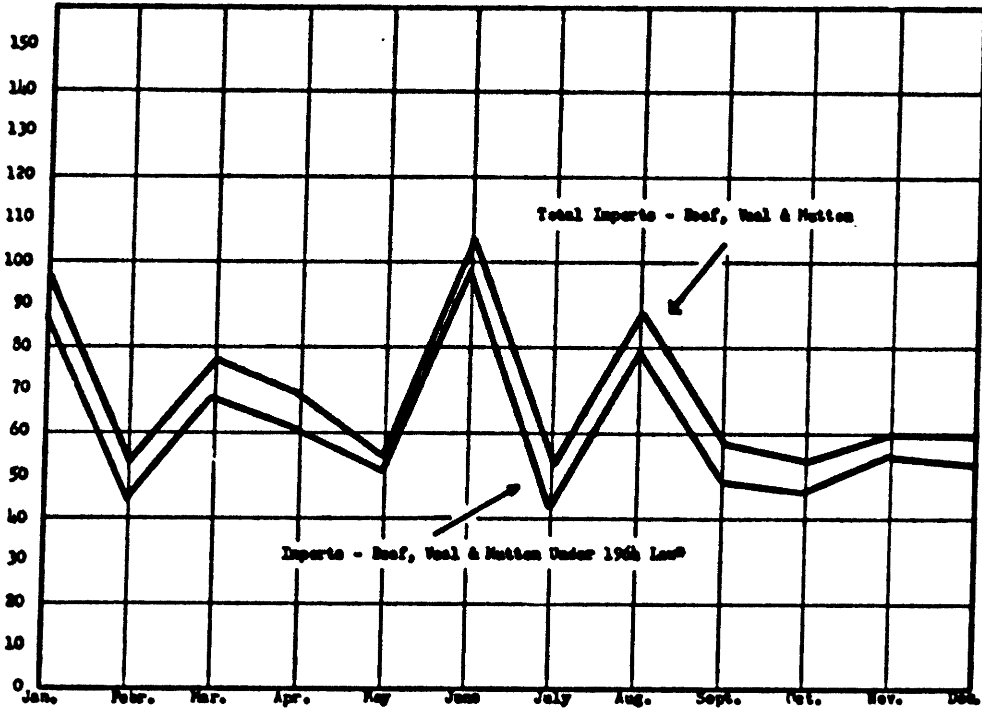
[In millions of pounds]

Month	1964	1965	1966	1967
January	1,589	1,618	1,734	1,795
February	1,365	1,434	1,537	1,598
March	1,483	1,648	1,685	1,750
April	1,583	1,496	1,576	1,653
May	1,577	1,497	1,649	1,820
June	1,661	1,604	1,770	1,808
July	1,626	1,597	1,627	1,662
August	1,561	1,652	1,815	1,807
September	1,627	1,714	1,790	
October	1,720	1,691	1,744	
November	1,536	1,653	1,722	
December	1,637	1,657	1,706	
Total	18,965	19,261	20,355	13,903

Sources: Livestock and Meat Statistics, Statistical Bulletin No. 333, and monthly Livestock Slaughter Report, Statistical Reporting Service, U.S. Department of Agriculture.

BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law*

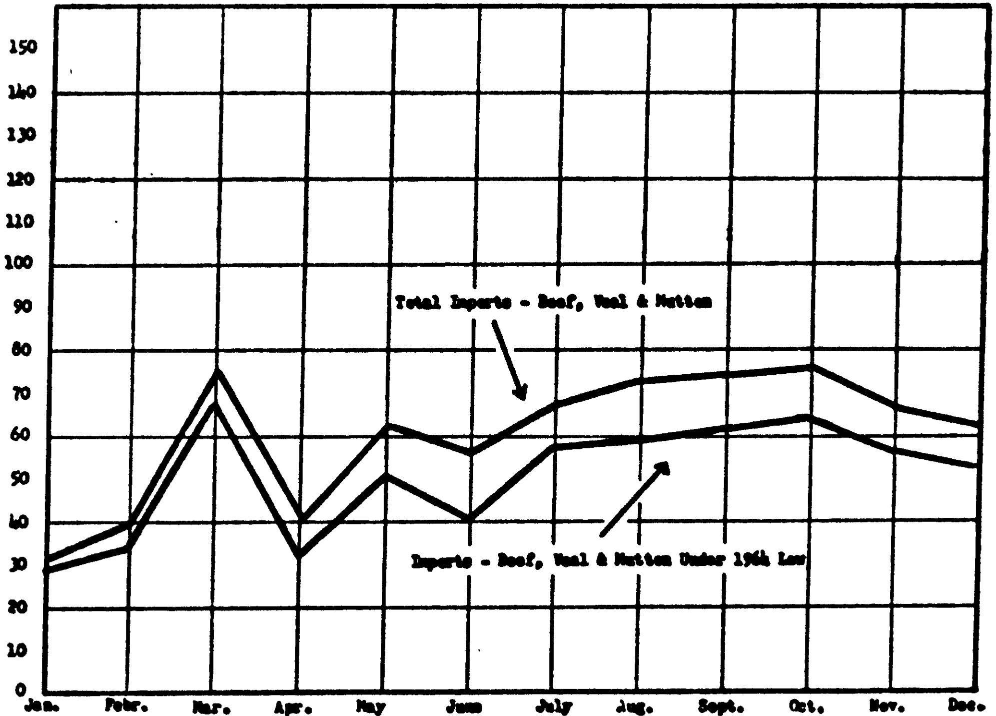
1964

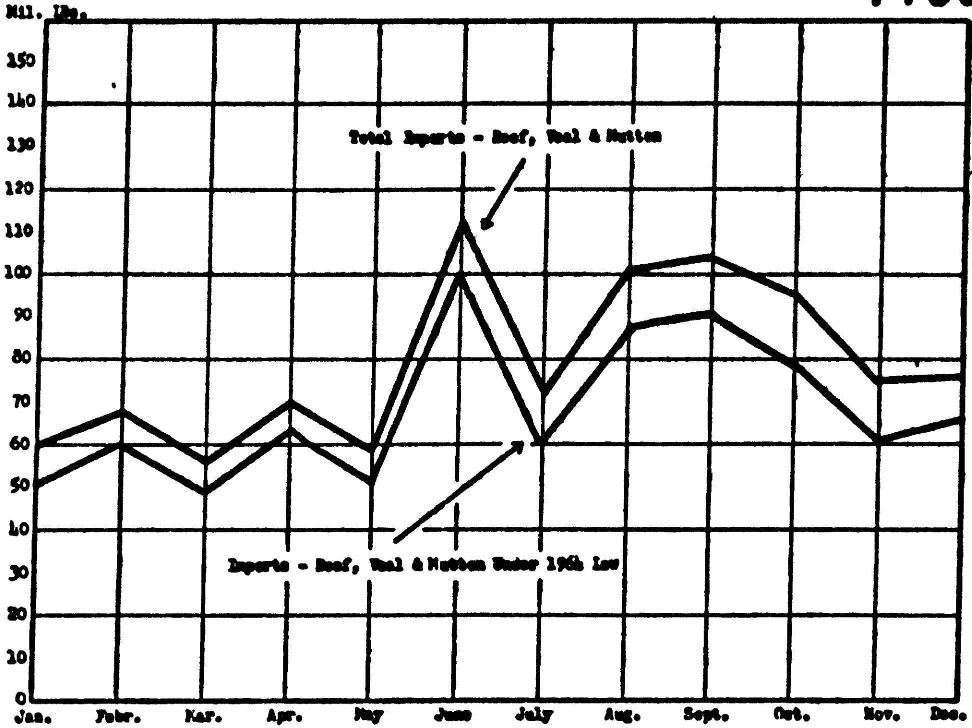


*Volume that would have been covered had law been in effect.

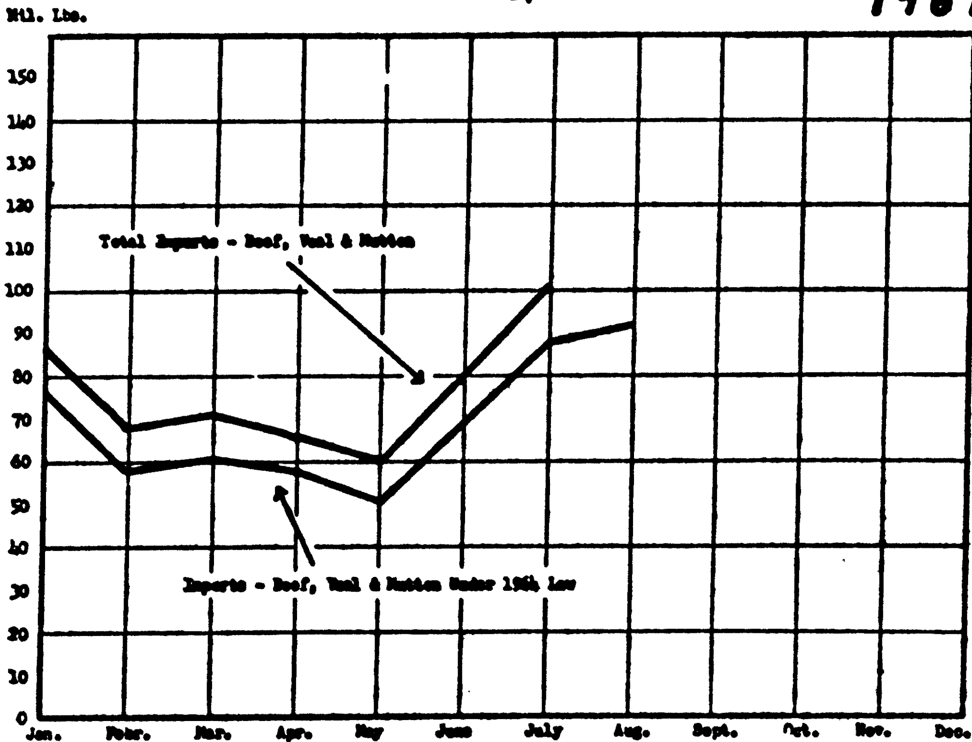
BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law

1965





BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law
1966
Mil. Lbs.
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
Total Imports - Beef, Veal & Mutton
Imports - Beef, Veal & Mutton Under 1964 Law
Jan.
Febr.
Mar.
Apr.
May
June
July
Aug.
Sept.
Oct.
Nov.
Dec.



BEEF, VEAL & MUTTON - Total U. S. Imports and Imports Under 1964 Law
1967
Mil. Lbs.
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
Total Imports - Beef, Veal & Mutton
Imports - Beef, Veal & Mutton Under 1964 Law
Jan.
Febr.
Mar.
Apr.
May
June
July
Aug.
Sept.
Oct.
Nov.
Dec.

The CHAIRMAN. Mr. McMillan?

STATEMENT OF C. W. McMILLAN, EXECUTIVE VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

Mr. McMILLAN. Mr. Chairman, and members of the committee, I am C. W. McMillan, the executive vice president of the American National Cattlemen's Association.

I, too, wish to express on behalf of our organization the thanks and gratitude for the privilege of appearing before the committee. I will only briefly summarize my statement, but respectfully do request that the complete text of the statement be included in the hearing record of the proceeding.

The CHAIRMAN. It will be done.

(The statement referred to follows:)

STATEMENT OF THE AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION IN SUPPORT OF S. 1588

Presented by C. W. McMillan, Executive Vice President, American National Cattlemen's Association, Denver, Colo.

The domestic beef cattle industry has proven that it can and will keep pace with increasing human population needs and desires for beef, but in doing so it has learned a hard lesson: it cannot forever continue to expand unless prices received cover costs and provide reasonable economic incentives . . . and that it cannot expand if every effort at logical growth is thwarted by erratic import levels.

The provisions of S 1588 demonstrate a *responsible* approach. Meat imports are not shut off or drastically curtailed. But they would be brought in at reasonable levels, under a predictable flow, with any opportunities for "quota-dodging shenanigans" discouraged.

At the time, we felt that PL 88-482 would solve some of the problems the domestic livestock and meat industries were facing. That exporting nations would "self-police" themselves to avoid invoking the quotas to their own detriment. However, experience under the law, coupled with events otherwise and experiences of other domestic industries have clearly demonstrated that exporters—and our own importers—not only have not but do not intend to exercise that restraint or assume the responsibility needed.

We do not view S 1588 as punitive or entirely protectionist. We view it as a sincere effort on the part of the Congress of the United States to reaffirm its responsibility for insuring the stability and well-being of a vital domestic industry to the continuous and ultimate benefit of all Americans.

STATEMENT OF AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

MEAT IMPORT LEGISLATION

My name is C. W. McMillan. I am executive vice president of the American National Cattlemen's Association headquartered in Denver, Colo. The American National Cattlemen's Association is an organization of over 100 state, local and regional organizations of beef cattle producers, feeders and breeders and thousands of individual members through the United States.

We welcome this opportunity to discuss with the Committee some major difficulties we have had because of excessive meat imports and some of our efforts to correct these conditions.

First, let it be clearly stated and recognized that the American National Cattlemen's Association is not asking, through S 1588 or other measures now before Congress, to abolish or obliterate all imports of meats. Not only would this be unrealistic, politically, practically and economically, but it would be a distortion of America's traditional recognition that reasonable world trade is essential for a balanced, prosperous and competitive domestic economy.

United States stockmen, through the Meat Import Act of 1964 (PL 88–482), and through its continuing efforts resulting in S 1588, sought to establish two basic principles:

1. Meat Imports, while not necessarily desirable or advantageous to the domestic livestock/meat industry or advantageous to consumers, are a fact of life with which the United States and the rest of the World must live.

2. Such meat imports, however, must be closely controlled in order that the domestic livestock/meat industry will not be unduly disrupted and, particularly, that it will not be actually threatened with extinction by sources of supply which cannot be controlled, anticipated or guaranteed.

After 33 months of experience with PL 88–482 and following close study of the results of the Geneva Conference, we wish to make these points:

1. Although quantitative restrictions exist, provisions of PL 88–482 are inadequate to insure that the stability of the domestic livestock/meat industries will not be constantly harassed and frustrated by widely fluctuating import levels. Graph I attached illustrates this erratic pattern.

2. Concessions at Geneva did not, on balance, help the domestic meat industry in direct application, and other meat agreements on a world-wide basis tend to further threaten our domestic industry.

3. Current ANCA sponsored industry-wide efforts to insure a stable supply of meat, principally beef, could be ineffective and almost inoperative should the level of imports not be controlled and clearly anticipated.

First, we need to examine the domestic beef cattle industry as it has been, as it stands today and as it likely will be in the future.

Since 1960, beef production has increased 35 percent, while human population has risen only about 8 percent. U.S. stockmen have been implored, blandished and otherwise seduced by governmental agencies and over-zealous chambers-of-commerce and agricultural supply interests, into increasing production to meet future beef "needs" here and abroad. These lures have been believable because the industry has been "production oriented" and because statistical projections have been based on the optimum production potentialities of the industry. They were further distorted during 1966 by erroneous calculations of cattle inventories by federal agencies—an error that casts a pall over any further projections of the "need" for imported meat.

Beef production has increased in this country because the consumers' preference is evident to stockmen who sincerely have invested their savings, their labor and their risks into ever increasing productive techniques and efforts to serve this preference and need.

In spite of "housewives' boycotts", and other depressants during 1966, it seemed apparent to all that demand for beef was a real and increasing fact, in contrast to some other meats which faced a descending trend.

We have been taught a severe lesson in 1967, however, which has been more in evidence because imports of beef increased in the face of lower domestic cattle prices.

In fact, the lesson has been the more painful because levels of imports continued an erratic, unpredictable course—below the quota levels of PL 88–482 to be sure, but sufficient to further confuse an industry of nearly 2,000,000 persons raising beef cattle in every state in the Union. The raising of beef cattle, by the way, is the only form of agriculture common to each of the 50 states and in most states it is the major agricultural source of "new wealth" for the state and national economy.

Table I (attached) demonstrates the increase in beef productive capacity (cows), the increase in beef tonnage (mainly from the dramatic shift to cattle finishing in feedlots, about which we'll have more to say later), the shift in human population, per capita beef supply, etc.

In early 1967 it was determined by ANCA, after exhaustive studies, that beef tonnage in the U.S. from domestic *and* import sources was exceeding *effective demand* by somewhere up to five percent. The Association called for an immediate cutback in tonnage. Particularly emphasized was the number of cattle being held to heavier weights by hundreds of thousands of farmers and ranchers in expectation that prices would go up as total supplies, including imports, leveled off. This had been confidentially predicted by some of the projections made on the erroneous information mentioned earlier. As each week passed, however, it became clearer that such a leveling-off would not take place, so an agonizing "shake-out" did take place, with many farmers and feeders absorbing, or foundering under, staggering losses.

During August and September a modest improvement was noted in finished cattle prices, and many predicted we were "over the hump". Nothing apparently, was further from the truth, and the industry is again dipping into the loss column, with many factors portending increasing problems in several months to come. Among the compounding problems are the reports of additional cattle still on feed, a record corn and feed-grain crop, and a substantially heavy supply of cattle available to go on feed. In spite of heavy slaughter during 1966 and so far in 1967, the number of *beef* cows is likely to remain high or even increase into 1968. Most of the heavy slaughter of cows came, and is coming, in dairy cows—an industry which has been faced with its own problems with imports.

In fact, it was the abuses of the import laws and regulations as applied to imports of dairy products that emphasized the feeling of beef cattlemen that exporting nations and U.S. importers had nothing but derisive disdain for the health and strength of domestic industries or economies. It reinforced the feeling that PL 88–482 was somewhat inadequate to deal with the ingenious plotting of exporters/importers to skirt or leap over quotas with products not spelled out by law.

If dairy product importers could create such havoc with the "near-miss" Colby cheese and the sugar-butterfat mixes, what could stop exporting nations, nearing a quota shutoff, from installing cooking and canning equipment to allow them to thusly dispose of their products over and above the quota levels established by PL 88–482?

Further, the failure in Geneva of agreements regarding world meat trade it quite apparent that there were several major exporting countries further dislocated from traditional avenues of supply. Thus, instead of to Europe, they will be looking at the United States even more enviously as a "vast" market for their surpluses, while gathering in dollars, which, no matter how we view them, are still desirable items of world commerce.

The recent activities of the United Kingdom to become affiliated with the European Common Market can only spell lesser market opportunities for Australia, New Zealand and, perhaps, Argentina, hence their main thrusts will be to the United States. U.S. stockmen fear that the "thrusts" will be in our direction at "any cost", just to develop and maintain alternative outlets, with no guarantee that future supply could meet generated demand at "any price".

One of the "by-products" of the recent excessive meat import levels has been a pronounced but little-recognized shift in the beef cattle industry brought on by a change in the domestic packing industry.

As recently as 1957, more than half the beef produced in this country came from animals which had never been fed grain. (Table 2 attached) Much of the meat from these animals was the boneless, lean beef so useful in hamburger and other "manufactured" meat products. Many of these cattle were called "two-way" cattle; they could go directly to slaughter, or they could, if demand was high, he bid away from the packers and the animals would go into feedlots for further finishing.

A few years ago, many domestic packers, faced with ever higher labor costs, discovered they could "transfer" their labor costs to foreign shores merely by purchasing the lean boneless beef available for export. No longer did many plants need to depend upon "two-way" cattle for their manufacturing beef requirements. Nor did they need the services of skilled boners and other labor or equipment necessary to this phase of the meat industry. They also could reduce storage and handling costs because a supply of the frozen imported meat could be kept "in transit".

The consequences of this shift are these:

1. The domestic meat processing industry appears to be no longer adequately equipped or manned to do the boning and other processes associated with "manufacturing beef" should foreign supplies of such beef be unavailable. It would be very difficult and costly to find or train skilled boners should the need come suddenly, as it could under disruptions in world shipping or trade.

2. With a buyer out of the market for these "two-way" cattle, they were left only one destination: the feedlot. Under this situation, these cattle provided opportunities for increasing the tonnage of domestic beef by adding weight in the feedlot. That is the reason the supply of feed beef has grown to represent nearly seven out of every 10 pounds of beef produced now. Thus a greater quantity of one quality level of beef has developed to the detriment of the supply of a lower quality level. Meanwhile the abundance of finished beef has been a depressant on the entire market.

I have spoken of current and expected conditions. I would like to emphasize now how S. 1588 can ease some of the conditions while insuring the future stability of the industry by stabilizing the level and nature of meat imports.

In 1964 it was felt that, because of lack of experience with quotas, some "leeway" should be allowed before quotas were invoked. Not even the exporting countries could predict available supplies close enough to establish a valid pattern. So a "trigger point" of 110 percent of the actual quotas was established. Quotas, then, would not be invoked until imports exceeded the quotas by 10 percent. It soon become apparent, however, that exporting countries were gearing their domestic production toward the higher "trigger point" rather than to the actual quotas . . . that they were shooting for, say, 109 percent of the quotas—just under the trigger point, but a substantial tonnage of beef over the quota.

Should they overshoot their production and face quota limitations, many of the countries indicated their intent to cook and/or can their excess supplies, there being no quota on this product!

S. 1588 would establish the "trigger point" and the actual quota as one and the same, providing only one understandable and reasonable target at which the exporting countries need aim while erasing a measure of confusion and uncertainty for our domestic beef cattle industry.

Further, S. 1588 would include, on a discretionary basis, canned, cooked, cured beef and veal and all pork and lamb products, along with the fresh, frozen and chilled beef and veal, mutton and goat covered by PL 88-482. This would close loopholes and prevent such flagrant abuses as occurred with imported dairy products.

S. 1588 also would include in the quotas overseas or "off-shore" purchases by our military forces. This should not be objectionable to exporting nations which are responsibly or realistically balancing domestic output to expected demand, particularly if the supplies are sold for the same dollars, with only the destinations differing.

Important features of S. 1588 which would contribute immeasurably to opportunities for stable expansion of our domestic beef cattle industry are those contained in provisions to revise the base period for establishing quotas and for establishing quarterly rather than annual quotas.

The current "base period" of 1959-63 includes the highest year on record . . . 1963 . . . for beef imports and completely distorts the traditional pattern of imports. This high base unduly encourages other nations to produce just for the American market, while denying American stockmen an area of expansion which traditionally should be their's. A base period geared to the level of imports during 1958-62 would be more realistic because it would provide reasonable access to our market for excess foreign beef while discouraging other nations from gearing their expansion and economies solely to our market. American stockmen are encouraged to see many foreign countries boosting their own standard of living and beef consumption through expansion of beef production, but they are extremely fearful of the inevitable consequences of coinciding surpluses of exportable meat and surpluses of our domestic production, as was only hinted in 1963!

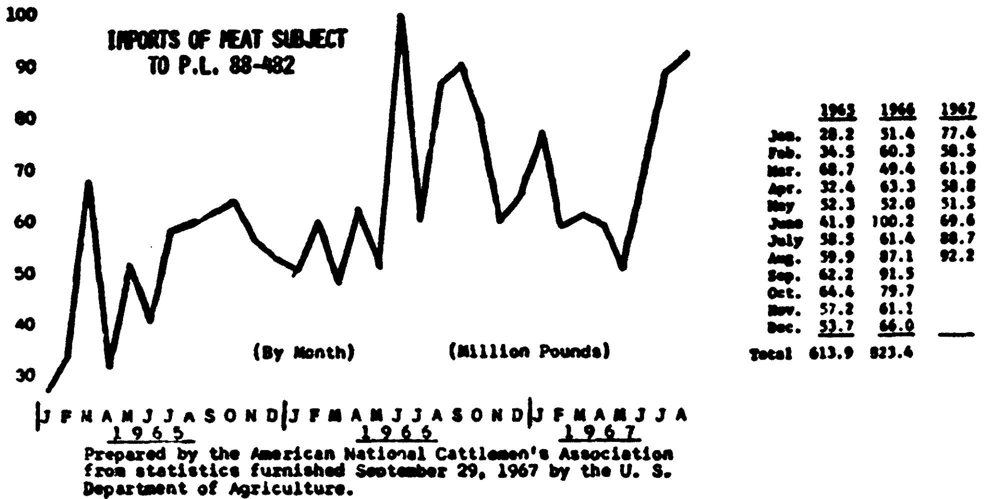
Quarterly quotas are extremely valuable. Even casual study of Graph I, showing meat import levels during the past 32 months, indicates the difficulty of domestic industry planning under annual quotas. The U.S. Secretary of Agriculture is required to make quarterly projections toward an annual level of imports. So far these "guesses" have wandered all over the ball park and have further confused the industry!

During July, August and September, domestic beef production has been at an extremely high level. However, some nations chose to increase their exports during this period, some say, to "beat" an ocean freight rate increase. The figures on imports for July and August indicate this "speculation", and it seems obvious that "something" has caused unusual activity during this period. Quarterly quotas would have discouraged these excesses which may have saved some exporters/importers a few pennies in freight, but which created disturbing difficulties for our domestic industry far out of line with the tonnage involved.

Quarterly quotas also would tend to direct exporting countries to a more stable flow to our shores. They also would avoid some of the difficulties faced by port-of-entry states, such as Hawaii, California, Florida, etc., which face feast-or-famine conditions at year's end or year's beginning—an increasing threat should exporters need to precisely manipulate arrivals to avoid the 110 percent "trigger point" under the current law.

All that these manipulations, these in-and-out or up-and-down levels of shipments, do is cost the American stockman hundreds of millions of dollars and discourage sane, responsible domestic production. They serve no useful purpose in giving the American public a stable, reliable supply of beef, day in and day out. This is the American stockman's goal. We think he's done a good job in the face of some fantastically uncontrollable forces, which S. 1588 is designed to erase or ease. He needs this help!

The domestic beef cattle industry cannot precisely balance supply with effective demand if it is to be faced constantly with unpredictable, fluctuating imports. Nor can it build toward a stable future of providing Americans with a generous supply of wholesome beef if a significant portion of that supply is governed only by the whims of other nations. Although trends in exporting nations point to increasing supplies available to the United States, there is and can be no guarantee that American consumers will receive those supplies should prices suddenly attract them elsewhere.



Prepared by the American National Cattlemen's Association from statistics furnished September 29, 1967 by the U. S. Department of Agriculture.

TABLE I.—IMPORTANT CHANGES IN SUPPLY AND DEMAND, 1960-66[1]

	Beef cow numbers[2]	Percent change	Fed cattle marketings[2]	Percent change	Commercial beef production[3]	Percent change	Per capita beef consumption[4]	Percent change	U.S. population[5]	Percent change
1960	26,344	------	13,060	------	14,374	------	85.2	------	178.2	------
1961	27,327	3.7	13,995	7.2	14,930	3.9	88.0	3.3	181.2	1.7
1962	28,691	5.0	14,950	6.8	14,931	.1	89.1	1.3	183.8	1.4
1963	30,589	6.6	16,283	8.9	16,049	7.5	94.6	6.2	186.7	1.6
1964	32,794	7.2	17,780	9.2	18,037	12.4	100.1	5.8	189.4	1.4
1965	34,238	4.4	18,718	5.3	18,325	1.6	99.3	-.8	191.9	1.3
1966	34,433	.6	20,182	7.8	19.460	6.2	103.7	4.4	193.7	.9
Averages[6]	--------	4.6	--------	7.5	--------	5.3	--------	3.4	--------	1.4

[1] Prepared by the ANCA, Denver, Colo. Computations based upon data obtained from Livestock and Meat Statistics USDA, Washington, D.C.
[2] Millions of head.
[3] Billions of pounds (carcass weight).
[4] Pounds.
[5] Millions of people.
[6] Average annual percent change for 6-year period.

TABLE II.—ESTIMATED COMPOSITION OF BEEF PRODUCTION, 1946-66

Year	Total production [2] (million pounds)	Beef production by class (percent)			Fed beef		Percentage of total beef by grade [1]						
		Steer	Heifer	Cow [3]	Quantity (million dollars)	Percent of total	Prime	Choice	Good	Standard	Commercial [4]	Utility	Canner cutter
1946	9,373	52	10	38	3,427	37							
1947	10,432	49	11	40	3,560	34	----------	----------	----------	----------	----------	----------	----------
1948	9,075	49	10	41	3,382	37	6	28	19	----------	17	17	14
1949	9,439	58	10	32	4,604	49	----------	----------	----------	----------	----------	----------	----------
1950	9,534	57	9	34	4,446	47	----------	----------	----------	----------	----------	----------	----------
1951	8,837	57	9	34	4,332	49	7	34	19	----------	15	15	11
1952	9,650	60	9	31	4,870	51	----------	----------	----------	----------	----------	----------	----------
1953	12,407	59	10	32	5,254	42	----------	----------	----------	----------	----------	----------	----------
1954	12,963	55	12	33	5,319	41	5	34	18	----------	16	13	13
1955	13,569	54	13	33	6,068	45	----------	----------	----------	----------	----------	----------	----------
1956	14,462	56	13	31	6,536	45	----------	----------	----------	----------	----------	----------	----------
1957	14,202	56	14	31	6,512	46	4	33	21	----------	16	13	13
1958	13,330	60	15	25	6,760	51	----------	----------	----------	----------	----------	----------	----------
1959	13,580	60	19	21	7,818	58	----------	----------	----------	----------	----------	----------	----------
1960	14,728	59	19	22	8,392	57	4	36	27	----------	14	10	9
1961	15,300	61	21	19	9,561	63	----------	----------	----------	----------	----------	----------	----------
1962	15,298	61	20	19	9,896	65	----------	----------	----------	----------	----------	----------	----------
1963	16,428	62	21	17	11,038	67	3	47	18	11	4	9	8
1964	18,429	62	19	19	12,049	65	3	49	17	11	4	8	9
1965	18,699	56	21	23	12,038	64	4	47	17	9	5	8	12
1966	19,694	56	23	21	13,207	67	4	49	18	7	4	8	10

[1] Data are 3-year averages through 1963—includes graded beef and an estimate for ungraded beef.
[2] Includes production for farm consumption.
[3] Includes bull and stag beef.
[4] Includes Standard and Commercial grades through 1960.

Mr. McMILLAN. At the outset, I think it should be made amply clear that the American Cattleman's Association is not trying to shut off imports of all meat. We recognize that world trade is traditional, it is a fact of life and certainly is here to stay. As a matter of fact, the legislation as embraced in S. 1588 is a responsible approach, we feel, because in essence it guarantees access to the U.S. market as contrasted to some who would say that it prevents access.

However, the uncontrolled imports are harmful not only to our industry but to the consumers as well. I cite particularly a graph which is attached to the complete statement—we call it Graph No. 1—which dramatically illustrates the erratic month-by-month entry of imports into the United States as covered by Public Law 88-482 over the past 2½ to 3 years. The pattern shows no promise of a stable supply for consumers, and there is no guarantee that the imports will be available should domestic production be reduced or maybe even shipping problems develop.

Wide fluctuations, then, do create undue difficulties in stabilizing our domestic industry. We feel that although we are fortunate to have Public Law 88-482 on the books it has up to this point basically proved inadequate to curb these erratic shipments, although the quotas do exist.

Flexibility within the provisions of Public Law 88-482 do present exporters and U.S. importers with unduly wide latitude, while also offering no protection whatsoever against evasion by those nations traditionally who have been shipping fresh, chilled, or frozen beef to our shores since they are able to circumvent by cooking, canning, or otherwise processing the meat.

Another point is that the concessions at Geneva when taken on balance did not correct or benefit the domestic conditions resulting from or caused by world trade. In fact, some international meat agreements seriously tend to add further damage to the U.S. beef cattle industry through such things as shifts in traditional market patterns and these tend to focus more attention, of course, on U.S. markets.

We feel that excessive imports since 1958 through 1959 have accelerated changes in the U.S. beef cattle industry. It has been charged that we do have a so-called oversupply of feed cattle in the United States. We maintain that this is a direct result of the fact that, what we call two-way cattle, cattle of yearling age that used to come off of grass and then to slaughter, boned out and used as manufacturing-type beef or the cattle went to the feedlot; now all are going to the feedlot. This has, as a result, contributed to the supply situation which has caused us some pretty severe price difficulties in recent years.

Putting it another way, packers have transferred labor costs overseas because they are buying frozen, lean, boneless beef as imports rather than actively bidding for the lean cattle on the domestic market. This has burdened the finished cattle market, as I say, because all the two-way cattle are being fed. And, of course, it has created a very misleading situation in terms of availability of manufacturing meat on the domestic market, because this quality of livestock is available domestically, but not being purchased.

We cover many other points, Mr. Chairman, but to conclude we, in the industry, through our association's market development committee, are attempting to find solutions through a voluntary self-help pro-

gram. We are attempting voluntarily to adjust our supplies as best we possibly can to get our price levels on a profitable base. Certainly they have not been on a profitable base in recent years. We wish to stay in business, so that the consumers of this Nation can be assured of a continued very high quality, wholesome beef product at reasonable prices in the future.

We are strongly of the opinion that S. 1588 largely would help us achieve these goals.

It has been a sincere honor to have appeared before the committee and I thank you very much.

The CHAIRMAN. Any questions.

Senator BENNETT. Mr. Chairman, you have got four out of the five meat witnesses. There is only one left. Do you want to leave him to the end. That happens to be my friend, Mr. Marsh, from Utah, the last one.

The CHAIRMAN. I will call him right now unless someone wants to ask questions of these two witnesses.

Senator BENNETT. That is fine.

Senator CURTIS. Due to, and in deference to these other witnesses, I shall forego asking any questions, but I do want to commend these men not only in this hearing but over the year they have been very helpful to the committee, and a great many things have been gone into in depth when we held the meat import meetings prior to the recent enactment, and I am gratified they are here and their entire statement will be most helpful to the committee.

Mr. MAGDANZ. Senator Curtis, we thank you for those compliments.

Senator HARRIS. I want to join Senator Curtis in what he said.

Mr. McMILLAN. I thank the Senators for their kind comments.

The CHAIRMAN. I want to thank you for abbreviating your statement. Thank you very much.

Now we will call Mr. Edwin E. Marsh, executive secretary of the National Wool Growers Association. We are happy to have you back, Mr. Marsh.

Senator BENNETT. Mr. Chairman, Mr. Marsh comes from the State of Utah. I have a brief statement regarding his background and rather than to take time in reading it, I would like to have it appear in the record ahead of Mr. Marsh's testimony. It is good to see you.

(The statement referred to follows):

DATA SHEET ON EDWIN E. MARSH, EXECUTIVE SECRETARY-TREASURER, NATIONAL WOOL GROWERS ASSOCIATION

Ed Marsh is the Executive Secretary-Treasurer of the National Wool Growers Association. He came to Utah 23 years ago as an officer of the National Wool Growers Association.

His business career began in Denver, Colorado, in 1932 with the Union Pacific Railroad and the Denver Union Stock Yard Company.

In 1955 the Wool Growers Organization elevated him to the post of Executive Secretary-Treasurer. In this capacity he divides his time between managing the headquarters office in Salt Lake City and handling legislative work in Washington, D.C.

May I say that the National Wool Growers Association is now in its 103rd year. It has the interest of the American sheep industry at heart and is very fortunate at this time to be guided by a man who understands and fights for America's 80,000 sheepmen.

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY-TREASURER, NATIONAL WOOL GROWERS ASSOCIATION

Mr. MARSH. Thank you Senator.

In conforming with the meat witnesses, I, too, will boil my statement down to not over 5 minutes but would appreciate it if the complete statement could be made a part of the record.

The CHAIRMAN. We will do that.

(The statement referred to follows:)

SUMMARY SHEET COVERING STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY-TREASURER, NATIONAL WOOL GROWERS ASSOCIATION

S. 1588—IMPORT QUOTAS ON MEAT

National Wool Growers Association supports the principles of S. 1588 and urges passage with the following amendments to the bill:

1. Provision for quotas by species of meat instead of over-all quota.
2. Provision for reasonable import quotas on lamb meat.

S. 1796—IMPORT QUOTAS ON TEXTILES

National Wool Growers Association also supports S. 1796, especially as it relates to establishment of reasonable import limitations on wool textiles. We strongly endorse testimony on S. 1796 to be presented by Mr. Morton Darman, Chairman of the Board, National Association of Wool Manufacturers.

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY-TREASURER, NATIONAL WOOL GROWERS ASSOCIATION

Mr. Chairman and members of the committee, this statement is presented on behalf of the National Wool Growers Association, which has its principal membership in a 22-state area where 86 percent of the nation's sheep, lambs and wool are produced. The Association was organized 102 years ago and is recognized as the spokesman for the sheep farmers and ranchers of the United States. The two specific import commodities that our testimony will cover are meat and textiles.

S. 1588—IMPORT QUOTAS ON MEAT

Our organization strongly endorses the principles of S. 1588, to revise the quota-control system on the imports of certain meat and meat products. The present law covering quotas on meat imports, Public Law 88-482, was prepared rather hastily in a conference between the two Houses. It contained substantial modifications from the bill which the Senate had passed. It was a compromise which many Senate and House members were reluctant to accept but did approve only because they knew the Administration did not want a meat import quota bill and because they felt this was the only type of bill that the Administration would accept.

One of the changes which was adopted by the conference in 1964 was to set up an over-all annual quota of 725,400,000 pounds of beef, veal and mutton, instead of setting the quota on each separate specie of meat, as in the Senate-passed bill. Under this change, imports of mutton could be increased if there was a surplus in Australia, for example, simply by decreasing imports of beef, or vice versa. In order to help control any adverse effects on either the domestic sheep industry or the domestic cattle industry which can occur through increases of one specie, we urge that the bill be amended to set quotas *by species* on the basis of the average volume of imports for the base period of 1958–62.

Another change which was made by the conference in 1964 was to strike lamb meat from any quota provisions. In the 1964 bill passed by the Senate a quarterly quota on imported lamb had been established in the amount of 3,200,000 pounds.

Lamb imports continue to be a problem in that retailers in our larger cities, which are price-basing points, frequently use imported frozen lamb as a "fire sale" item. This can and frequently does have a detrimental effect on the price of fresh, domestic lamb. A vivid example of fire-sale tactics can be seen by comparing two advertisements appearing on the same day in the same newspaper, the Chicago Tribune of August 21, 1967. One ad was from a large chain, National

Food Stores, selling U.S. Choice domestic lamb. The other was an advertisement from another large chain, A. & P., featuring New Zealand frozen lamb. The rib chops from the U.S. lamb were advertised at $1.19 per pound, while the New Zealand rib chops were featured at 79 cents, a difference of exactly 40 cents per pound. The U.S. loin chops were $1.39 per pound, while the New Zealand loin chops were 99 cents, once again a differential of exactly 40 cents per pound.

While it is generally recognized that frozen lamb presently does not meet as good acceptance as fresh lamb, the disparity is certainly not 40 cents per pound or even 20 cents per pound. Furthermore, some meat merchandisers predict the day is not far off when frozen lamb will be readily accepted by the housewife. When imports force down the retail price of domestic lamb, you can be sure the reduction will be immediately felt by the producer. It always has been. Furthermore, the producer is at the bottom of the totem pole and has no place to pass on price reductions. Lamb producers of this nation will be unable to withstand any further price reductions. Live lambs now are selling at about the same levels as twenty years ago, even though costs of production have risen considerably in the same twenty-year period. A member of the House said recently that national income has gone up 223 per cent in twenty years, while net farm income has come down nine per cent.

Officials of the New Zealand Meat Producers Board at a meeting last month with officials of the National Wool Growers Association readily admitted they had no control over the retail price of imported lamb in this country. The retail spread between imported and domestic lamb could be widened a little further in future years by a further reduction in our already exceedingly low import duty of 3.5 cents per pound on lamb. The duty on fresh, chilled or frozen lamb meat was cut in the recent Kennedy-Round from 3.5 cents per pound to 1.7 cents, a further 51 per cent reduction.

We appreciate the fact that S. 1588 authorizes the Administration to impose quotas on lamb and other meats not covered by quotas if imports become excessive. However, past experience would indicate that the Administration is not likely to exercise its authority to impose quotas unless required to do so by law. In view of this and the circumstances I have outlined, we would like to see the same type of quota arrangement provided on lamb as on other species, and as was provided in the original bill passed by the Senate in 1964.

In summarizing our position on S. 1588, we endorse the bill strongly and urge that it be amended as follows:

1. Providing quotas by species of meat as the 1964 Senate-passed bill.
2. Providing reasonable import quotas for lamb meat as in the 1964 Senate-passed bill.

S. 1796—IMPORT QUOTAS ON TEXTILES

We also strongly endorse S. 1796 to impose quotas on importation of certain textile articles. Our particlular concern is, of course, the heavy expansion of imports of wool textiles. These imports have caused considerable contraction of domestic mills which are the only customers for domestic wool. However, in the interest of conserving hearing time, as requested by the Committee when these hearings were announced, our spokesman on this particular bill will be Mr. Morton Darman, Chairman of the Board of the National Association of Wool Manufacturers. Our organization subscribes completely to the views he will present on the wool textile import problem.

Mr. MARSH. I am presenting the statement in behalf of the National Wool Growers Association, and our organization strongly endorses the principles of S. 1588 to revise the quota control system to importation of certain meat and meat products.

The present law covering quotas on meat imports enacted in 1964, we feel, was prepared rather hastily in a conference between the two Houses, and it contains substantial modifications from the bill as passed by the Senate.

One of the changes adopted in the conference in 1964 was to set up an overall annual quota of 725,400,000 pounds on beef, veal, and mutton, instead of setting the quota on each separate species of meat as in the Senate-passed bill. Under this change imports of mutton could be

increased if there was a surplus in Australia, for example, simply by decreasing imports of beef, or vice versa.

In order to help control any adverse effect on either the domestic sheep industry or the domestic cattle industry, which can occur through increases of one species, we would urge that the bill under consideration be amended to set quotas by species on the basis of the average volume of imports for the base period of 1958–62.

Now another change made in the conference was to strike lamb meat from any quota provisions. In the 1964 bill passed by the Senate, a quarterly quota on imported lamb had been established in the amount of 3,200,000 pounds. Lamb imports continue to be a problem in that some retailers in our larger cities, which are price basing points directly use imported frozen lamb as a fire sale item. This can and frequently does have a detrimental effect on the price of fresh domestic lamb.

A vivid example of fire sale tactics can be seen by comparing two advertisements appearing on the same day in the same newspaper, the Chicago Tribune of August 21, 1967. One ad was from a large chain selling U.S. choice domestic lamb, and the other was an advertisement from a large chain featuring New Zealand frozen lamb. The rib chops from the U.S. lamb were advertised at $1.19 per pound, while the New Zealand rib chops were featured at 79 cents, a difference of exactly 40 cents per pound.

The U.S. loin chops were $1.39 per pound, while the New Zealand loin chops were 99 cents, once again a difference of exactly 40 cents a pound.

Now, by the end of that particular week that this Chicago sale was underway, domestic live lambs had dropped 50 cents to a dollar and a half per hundred pounds and the next week they took another 50-cent drop. This sale of foreign lamb certainly could have been a factor in that drop.

Mr. Chairman, I would like to request permission, if it is possible, to reproduce these two ads in the hearing record.

The CHAIRMAN. Yes; we will do that.

(The ads referred to follow:)

RIB LAMB CHOPS New Zealand 79¢ lb.

LEG-O-LAMB WHOLE OR HALF NEW ZEALAND 69¢ lb.

LOIN LAMB CHOPS New Zealand 99¢ lb.

U.S. Choice Value-Way Trimmed

SHOULDER CHOPS

U.S. CHOICE LAMB SALE

Lb. 79¢

RIB CHOPS $1.19 Lb.

LOIN CHOPS $1.39 Lb.

SHOULDER ROAST 59¢ Lb.

Mr. MARSH. Officials of the New Zealand Meat Producers Board who had a meeting last month with officials of the National Wool Growers Association readily admitted they had no control over the retail price of imported lamb in this country. The retail spread between imported and domestic lamb could be widened a little further in future years by reason of the fact that our exceedingly already low inport duty of 3½ cents per pound on lamb was cut in the recent Kennedy Round to 1-7/10 cents, a further 51-percent reduction.

So in summarizing our position on S. 1588 we endorse the bill strongly and urge that it be amended as follows:

First of all, by providing quotas by species of meat as in the 1964 Senate-passed bill, and using the base period of 1958–62 as provided in S. 1588.

And second, by providing reasonable import quotas for lamb meat as in the 1964 Senate-passed bill.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Any questions?

Senator BENNETT. I just want to express my appreciation to Mr. Marsh in representing an industry that is very important in the West, and I am happy that he came here.

The CHAIRMAN. Thank you very much.

Senator BENNETT. Thank you, Mr. Chairman, for making it possible to hear Mr. Marsh.

Senator HARRIS. Mr. Chairman, while we are on that, I would like to offer for the record a statement by House Majority Leader, Carl Albert, who wanted to be here in person, but because of other duties could not be here, and I wonder if his statement couldn't be included in the record.

The CHAIRMAN. We will be very happy to have it included in the record.

(The statement referred to follows:)

STATEMENT OF REPRESENTATIVE CARL ALBERT (DEMOCRAT OF OKLAHOMA)

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today in connection with legislation now pending before your committee which would strengthen and improve current import restrictions on certain types of beef, veal, mutton and goat.

In my opinion there is no more important issue concerning American cattlemen today than the question of beef imports. Therefore, I think the Committee performs a great function by providing this forum for a discussion of the very difficult and complex questions which arise in the consideration of legislation designed to further restrict the importation of beef.

Your committee has had, or will have, the benefit of expert and informed testimony on all sides of this issue. Consequently, I do not intend to present a collection of tables or statistics showing the inadequacy of present curbs on imports—the information you have collected is far more complete than any I could present in a short statement such as this.

Rather, I want simply to tell you how the cattlemen of the great cattle producing state of Oklahoma, and more especially, the cattlemen of the Third Congressional District of Oklahoma, feel about the need for this legislation. It is as a representative of my cattle-raising constituents that I appear here today. To state it briefly, they emphatically, unequivocably, and, I suspect, unanimously support legislation designed to restrict imports of beef.

More specifically, they urge that meat import legislation enacted in 1964 be "tightened up" by: (1) adding canned, cooked and cured beef to the import quota list, (2) invoking quotas in imports at 100% of the quota level instead of 110% as at present, (3) including in quota figures the foreign meat purchased for our military forces and (4) applying quota limits on a quarterly basis.

I have received numerous communications from Oklahoma cattlemen in favor of this position. It is supported by resolution of the Oklahoma Cattlemen's Association and by similar action on the part of the county associations in the larger cattle raising counties of my district.

The current plight of the cattlemen is very simply and succinctly explained in one of these letters I have received. The chairman of one of the largest county cattlemen's associations wrote me in part:

"The rancher is today caught in a very vicious cost of production and price received squeeze. Labor costs have increased from 30 to 40% during the last three years; the cost of LP gas has doubled in the same period, a half ton pick-up has increased in price approximately 12 to 13% in the same period, and the same is true of tractors. Trucking, parts, freight rates, etc. and practically all farming implements have increased by this same percentage.

"The return, if any, to the rancher over the past three years has been very meager and would represent less than 1% return on investments. Increased efficiency and mechanization (not available to all because of capital) can only go so far and has only partly offset the ever increasing costs. It is for this reason we feel that the Meat Import Laws should be changed as now being proposed in order that a fair and equitable price can be had for our product, and we respectfully ask your support of this effort."

Mr. Chairman and members of the committee, like this cattleman, I respectfully ask for your support of this effort. I know that all of the evidence and information gathered during these hearings will receive the most careful study and consideration. I have every confidence that the committee will make the proper recommendations.

Mr. Chairman, thank you again for affording me the privilege of appearing before you today.

(The following are communications received by the committee expressing an interest in the preceding subject:)

STATEMENT OF SENATOR LEN B. JORDAN OF IDAHO

Mr. Chairman, thank you and members of your Committee for holding hearings which permit those of us who are interested in setting realistic import quotas on meat to be heard and to present our views.

I am a cosponsor of S. 1588, which will amend the provisions of P.L. 88-482, a compromise import bill which is not effective. S. 1588 would eliminate the 10% of imports now permitted before import quotas on meat can legally apply.

Our bill will set definite maximum quotas of meat which may be imported, whereas now these imports are based on the Secretary of Agriculture's estimates. This proposal will also change the period on which the quotas are based. We propose a base of an annual volume of imports at 585,500,000 pounds, which was the average annual volume of meat imports during the years of 1958-1962 inclusive. It will set quotas on a quarterly basis instead of annually as is now the case. This should level out the flow of imports to keep prices more steady. The bill will give authority to the executive branch to impose quotas on any kind of meat, including canned and cured beef. The bill will also provide that offshore purchases of meat by the Department of Defense for the use of our overseas troops shall be charged against the quota applicable to such meat. This will not make possible a recurrence of the purchase of some 10,000,000 pounds of lamb by the DOD such as happened last spring when this amount of lamb was purchased from New Zealand and Australia for use of our troops in Vietnam. This certainly had a detrimental effect on lamb prices at that time.

These provisions are necessary to keep our meat producers in business. The present law is not accomplishing its stated purpose. In the month of August, 1967 meat imports totaled 92.2 million pounds, a 6% increase over August, 1966, when 87.1 million pounds were imported. Meat imports for the first eight months of 1967 were 558.6 million pounds compared to 525.1 million pounds in the same period during 1966 which was a 6% increase. This is about the maximum S. 1588 would allow in a full year, and if this were on a quarterly basis as we propose, these imports would have been held to about 75% of our present import level.

American consumers also have a real stake in keeping our livestock producers and processors in business and in a healthy economic condition. We must never permit ourselves as consumers to depend on foreign imports for our meat supplies. As consumers we cannot depend on either of the quality or the quantity of a total meat import program. In addition to furnishing wholesome fresh meat, our meat producers and processors employ millions of people, pay tremendous transportation and other costs and are good customers for manufactured and other industrial products which keep other Americans employed.

One of the top priorities of our nation at this time is to assist cities in furnishing better housing, less crowded schools, employment to train potential employees, to protect property and people and to reduce crime. One of the best methods of accomplishing this objective is to keep people on their farms, ranches and rural communities. 600,000 people or more a year are now leaving these rural areas to migrate to already crowded cities. They need incentives for profit to keep these people in their present location. Bills such as S. 1588 will be a step in assisting farmers, ranchers and employers in rural towns to stay where they are, to maintain their livestock operations, and continue to produce the meat which we need.

This bill is fair to persons who import meat to our country over the representative base period 1958 to 1962 and I hope members of this committee will consider all these factors and report this bill to the Senate. I appreciate the opportunity of being able to present my views.

STATEMENT OF SENATOR JOHN STENNIS

I am deeply concerned over the rising tide of meat imports into this country, and the serious effects they are having on our domestic producers. There is every indication that we are heading toward another crises such as we experienced in 1963 and 1964. I supported the Meat Import Control Act which temporarily relieved the problem at that time, but the situation is rapidly getting out of hand again. I know the severe strain these increasing foreign imports are putting on many small cattle growers in Mississippi, and I judge this situation is pretty much the same all over the country. For this reason, I was one of the original cosponsors of S. 1588 to revise the quota control system on the importation of meat and meat products. This legislation is desperately needed by the cattle producers in Mississippi and elsewhere in the Nation if they are to escape economic disaster.

Cattle raising is one of the newest and fastest growing agricultural enterprises in Mississippi. Much of the land taken out of the production of row crops because of Federal acreage control programs and the increasing cost of farm labor has been converted to improved pasture land. Mississippi is already one of the leading cattle raising States in the South and is rapidly becoming a major producer in the Nation.

This healthy expansion and diversification of our economy, however, is being stifled by the growing volume of meat imports which are coming into the country. Imports of beef and mutton from abroad increased from 614,000,000 pounds in 1965 to 823,000,000 pounds in 1966. In addition, there was 130,000,000 pounds of cooked, cured and canned meat products imported last year. Imports for this year are expected to exceed 900,000,000 pounds.

This significant and continuing increase in beef imports has been at least a contributing factor in the steadily declining price of these products on the domestic market and the cause of a severe price squeeze on our own cattle growers. The pressure on our beef producers is becoming unbearable, and I am firmly convinced that the only way to relieve this situation is for Congress to adopt further legislation. The bill which I am co-sponsoring, S. 1588, attempts to deal with this problem in a reasonable and realistic way, and deserves the full support of all who are genuinely concerned with the plight of our domestic cattle industry.

Statement of Senator Alan Bible Regarding Import Policies on Meat and Meat Products and Textiles

Dear Mr. Chairman. I appreciate the opportunity to present to the Committee my support for tighter import restrictions on meat and meat products and also to express my support for committee action with respect to textiles.

As I understand import quotas, their main function is to render a measure of support for domestic industries. Unfortunately, our present quotas on meat and textiles are invokable only after the damage point is reached or passed. Such quotas are protection in name only, not in actual fact.

The fact is, Mr. Chairman, imports of meat into this country work essentially independently of any quota restrictions. Foreign exporters apparently haven't the capacity yet to hit those limits at which a quota would be invoked, such is the latitude of the present limit.

As the Committee is aware, present law, from the Act of August 22, 1964, permits an allowance of 10 percent above the quota to be imported before the limitation becomes effective. This gives the foreign producer a "fair share" of the expanding American market; unfortunately, this share of the market is denied the American producer.

The basic quota itself is set above what would offer reasonable protection to the domestic producer. It is computed on a yearly average which includes abnormally high and damaging import levels. Basing a quota on such levels hardly earns the definition of "protection." So permissive is our present policy that a quota will not even be invoked for next year unless 995 million pounds are imported this year. It is estimated by the Secretary of Agriculture that imports of meat will total about 860 million pounds in 1967. The fact is that our domestic industry is already suffering.

Recent prices for slaughter steers and lambs, feeder steers and hogs have not been profitable. They started the year generally lower than in 1966 and have not shown any signs of improving over the poor years of 1965 and 1966. It is obvious they will not improve under our present quota system.

Mr. Chairman, I supported the 1964 meat import limitation bill because it was a first step in the right direction. It did not go far enough to actually improve the situation, but it put the Congress on record as being concerned. The Senate is on record again this year as favoring a more realistic and tighter import control policy for meat. The McGovern amendment to the investment tax credit bill was adopted by a vote of 55 to 19 in April. It was supported by the distinguished Chairman of the Finance Committee.

I urge the Committee to adopt legislation incorporating the provisions of S. 1588. After sufficient time to test the merits of the 1964 Act it has become clear that it cannot by itself do the job. Additional protection is needed to prevent another disastrous period like 1963–64. All that stands in the way of a recurrence are the chance circumstances of supply and demand that today prevail. Certainly with an additional 130-million pound import potential it cannot be said that our quota policies will be preventive.

S. 1588 will do away with the permissiveness of the present 10 percent overrun which must occur before a quota is deemed necessary. It will compute quotas on an average base which does not include the years of soaring imports but on the more realistic years 1958 through 1962. This bill eliminates the "guesstimates" required of the Secretary of Agriculture as to whether imports will exceed the increase in domestic production plus the 10 percent overrun to determine whether a quota should be invoked. This will automatically occur, as it should, under the bill, S. 1588.

The bill will cover forms of meat such as canned, cooked, cured and otherwise preserved meat not presently covered.

The bill will require even spacing of imports into the United States through quarterly limitations.

Finally, any foreign meat purchased by the military will count against the import quota.

These are not harsh requirements. A good market will remain for foreign producers. In fact, the effect of this measure would be marginal upon the current level of these imports. What the bill will accomplish is the creation of an effective wall against the comparatively sudden disastrous flood of foreign meats with their attendant effects on domestic prices.

We must not forget that Agriculture is big business in the United States and that Agriculture suffers when the cattle industry suffers.

Many areas of the United States are uniquely adapted to the cattle industry. Nevada is such an area. The land resources are not the type that can be shifted to other production when cattle prices are depressed. It does not take much of a drop in the vitality of the market to be keenly felt in Nevada and I know this applies to many other cattle-producing areas as well.

Mr. Chairman, the regularization of textile imports on approximately the same basis as that of meats will also be of great benefit to that hard pressed industry in the United States. The same pressures from foreign competition apply and a similar action to meet and regulate this competition will be most beneficial.

Thank you for this opportunity to present my views. I know the Committee is deeply concerned with the welfare and continued viability of our domestic industries. I urge your favorable consideration of these suggestions for their protection.

Statement of Senator Paul Fannin of Arizona

Mr. Chairman, I want to take this opportunity to state my support for S. 1588, the bill to revise the quota-control system on the importaion of certain meat and meat products.

Let me state at the outset that I am an advocate of free trade, the notion that nations of the world should trade with one another without regard to tariff or quota barriers. Such a policy, it seems to me, clearly would benefit nations and consumers alike. But free trade is an ideal, much the same as democracy and free enterprise and peaceful coexistence are ideals. And it is no more soon to become a reality than will universal brotherhood and goodwill. Our world is at best imperfect, and our policies, including our trade policies, must account for those imperfections. They must deal with the world as it is, not as we might want it to be.

The simple fact is that tariffs and quotas are sometimes necessary, as they are today in specific industries. And they are necessary because they help balance and counterbalance the multiplicity of forces affecting international trade: the differences between nations that are largely agricultural or industrial, largely developed or underdeveloped, largely wealthy or poor; between nations whose prevailing political philosophy either determines its trade policies absolutely or determines them not at all.

In our country, tariffs and import quotas have not been used excessively, except to aid fledgling industries or to protect industries vital to our national security. This has been and is a wise policy. Our technological knowhow, in most instances, has made it possible for us to compete favorably in the world market place and to mostly dominate the domestic market. But this situation is changing, and doing so dramatically. In one area after another, from steel to manufacturing to agricultural industries, we have been losing that advantage; we have been pricing ourselves out of markets, foreign and domestic.

The disastrous combination of inflation and excessive wage contracts is the primary factor. The Federal government continues to pursue the policies (i.e.,

deficit financing) that feed the fires of inflation, and union bosses, unchecked by presidential wage-price guidelines, fight for and mostly win contracts that have no relationship whatever to increases in productivity. The end result of which, of course, has been that prices for American goods and services have jumped so high that many of our products can be undersold throughout the world, and many times at home as well. Foreign countries are flooding our shores with low-cost goods; domestic industries either fold or are forced to cut back production; unemployment rises and tax revenues at all levels of government decline.

Our failure to meet the problems that our policies, economic and trade, have themselves created can only reflect a symptom of national irrationality. What good purpose is served by permitting a consumer to buy a product produced by cheap labor at a few cents less if, because of that very import, thousands of American workers are made idle? Who does such a policy benefit? Not American workers, not American industry and not even American consumers—who in time will be forced to pay more than the small amount saved in increased welfare costs. Let's stop kidding ourselves. If we are interested in helping all American consumers, and that should be our aim, we should legislate with an eye on deficit financing and inflation . . . we should work to tie wages and salaries to increases in production . . . and we should adopt policies that will encourage American businessmen to pour more money into research and modernization. We should, in a few words, pursue policies that create domestic employment and that strengthen America's position in international trade. And in that regard tariffs and import quotas serve a valuable and necessary purpose.

We must provide domestic industries—including the livestock and meat industry—with the necessary protection to assure their stability and well-being. That is all that is being requested and all that should be granted. If it is done, vital domestic industries and the greatest number of Americans will be protected.

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR RUSSELL: The Alabama Cattlemen's Association has been in touch with me with regard to S. 1588, which would further reduce the importation of meat.

I have not studied S. 1588 in detail. However, I do feel that there may be some justification for a further reduction of beef imports, and since this is at least one of the purposes of S. 1588, I am pleased to support it to that extent.

With best wishes, I am,

Sincerely,

JOHN SPARKMAN.

U.S. SENATE,
Washington, D.C.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I would like to go on record expressing my firm support for S. 1588, to revise the quota control system on the importation of certain meat and meat products.

My state of Nevada, as well as other western states, is greatly concerned with the fact that the beef cattle and lamb industry is in an extremely serious price-cost squeeze situation.

The Senator from Nebraska has presented an informative array of statistics showing how the present compromise control system has failed to halt the decline in market prices for livestock. I fully concur with this conclusion. However, I would like to stress another very important feature of this new bill.

Our domestic lamb industry is treated as an unwanted stepchild under present law. No provision has been made for controlling imports on this item at all. Imports of lamb last year were higher than in any recent year except 1963. I think that an important feature of S. 1588 is that it provides the President with discretionary authority to impose quotas on this and other meat items, if necessary.

This bill is designed to correct the features of the present legislation which are weak and full of loopholes. The 10 percent overrun provision, the require-

ment of the Secretary of Agriculture to estimate in advance import levels, and the failure to cover other meat imports will be corrected by this bill. I urge the Committee to give the bill full, and hopefully favorable, consideration.

Sincerely,

HOWARD W. CANNON.

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you and the members of this distinguished committee for this opportunity to appear in support of legislation you have before you today.

During the 88th Congress, I was an active supporter of legislation which we hoped would control within reasonable levels, the imports of certain meat and meat products. At that time, you will recall, we sought to base these controls on a spread of five years' import experience. In the final analysis the import quotas were based on only three years, which proved to be years of exceptionally heavy imports.

The developments of this summer, I feel, show the wisdom of the broader spread. What we had feared at that time has occurred and the increase in imports has, as one of my cattlemen commented, caused the price of domestic beef to go "plunk".

The imports of frozen beef during July, 1967, amounted to 121,600,000 pounds. I should emphasize that this was all boned, all edible red meat. This import record was 45 percent above the total in the same month of 1966 and 27 percent above June, 1967. You know what this type of increase will do to any market. It has had a seriously depressing effect upon our domestic livestock industry, already plagued by high operating costs.

Because of this impact upon the economy of the Second Congressional District of California, one of the leading range areas of California, I have introduced legislation in the House of Representatives to provide that the aggregate volume of fresh, chilled or frozen beef, veal and meat of goat or sheep (except lamb) should not exceed 585,000,000 pounds in any calendar year. The 10 percent margin in excess of the adjusted base quota presently afforded imports under existing legislation would be eliminated.

Had this bill been in effect at the start of this year, instead of Public Law 88-482, it would have been necessary for the President to proclaim import quotas in the aggregate of 757,000,000 pounds or substantially below the estimated imports of 900,000,000 pounds. We feel that this would be a reasonable amount of imports.

Therefore, Mr. Chairman, I do want to add my support to a program which follows these lines. We have heard much, Mr. Chairman, about opposition to new import quotas, but I do want to emphasize that we are not asking that import quotas be imposed upon commodities not now already restricted. We are only asking that reasonable limits be enforced on a quota program now in effect.

Thank you.

REMARKS OF HON. E. Y. BERRY, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, the beef industry, the textile industry, the mink industry, the dairy industry—to mention just a few—are becoming seriously concerned about foreign imports as they feel the pinch of depressed domestic prices from our current trade policy. A united front by these industries might have the momentum to get the necessary support for quotas.

This, of course, is not the policy of the Administration and whether or not import protection can be provided depends upon the willingness of every industry whose business is being wiped out and whose labor is being put out of jobs to join hands and work together. This is the only way protection can be accomplished because the opposition is powerful and has twenty-five years of propaganda behind it.

During my seventeen years in Congress I have repeatedly pointed out how foreign imports have undersold American farm products and have beaten down prices. I have stressed that American agriculture produces the best raw material and has the best facilities in the world to handle it. On several occasions I have attempted to convince my colleagues that there is not a farm problem, but rather a problem of international trade.

To illustrate the ruinous effect of imports, consider the disaster year of 1963 for the beef industry. In the fall of 1962, choice steers were selling for over $30 per hundredweight. In January 1963, choice steers were selling for $27.27 at Chicago. By December of 1963, the price had fallen to $22.30 and the downtrend continued until May of 1964 when prices, suffering from the high level of imports, hit bottom at $20.50, down almost $10 a hundredweight. Many ranchers went broke in the decline.

What happened to imports during this same period? Look at the evidence: Imports in 1963 reached 1,67 billion pounds. This is the equivalent of 10.7 percent of the total domestic production. It represented more than one month out of the U.S. yearly supply of beef. It meant that every American who consumed an average of 100 pounds of meat in 1963, ate 10 pounds of foreign-produced beef and veal. The cattle market, as any observer knows, can be easily upset by minor fluctuations in the number of cattle and the volume of cattle slaughter. But to add a 10 percent supply over and beyond domestic production to the country's markets could not help but be disastrous. As imports continued to flow in at record levels in 1963, the prices continued to drop.

We must stop denying protection to American agriculture and industry. Hopefully these hearings will result in import quotas to relieve our suffering domestic producers.

Statement by Hon. Page Belcher, First Congressional District of Oklahoma

Mr. Chairman and members of the committee, I certainly appreciate your courtesy in allowing me to appear before you today to discuss briefly my very grave concern over this whole matter of agricultural imports. The tremendous increase in the volume of imports poses a threat to our domestic dairy industry, to producers of sheep and hogs, to beekeepers, to mink ranchers, to our textile industry; indeed, the threat seems nearly to run the gamut of agricultural commodities. In my opinion, and certainly from the standpoint of the people in my area, one of the most serious import threats is that posed to beef.

Gentlemen, my remarks thus far echo almost verbatim a statement which I inserted in the Congressional Record on April 27 of this year. Despite the Administration's showy but temporary "Section 22" action to cut dairy imports, and tentative slight improvements in beef and pork prices and reductions in beef imports during recent months, the situation is not improved and shows inescapable signs of becoming worse.

I also refer to the "Section 22" action as ineffective because it took the Administration until June 30th, six months or more from the time the dairy problem was recognized as serious, to arrive at a decision which could have been and should have been made and implemented in January. In the interim, our market was so glutted with dairy products flooding through the loopholes in our quota system that it still will be months before the cutback can possibly have any significant effect upon domestic prices. And there is no guarantee that when the impact does begin to result in an improved domestic market, this Executive Order action will not be relaxed or rescinded.

However, I intended that the main thrust of my statement today should be directed at the meat import situation. Early in this session some 38 or more of your colleagues joined Senator Roman Hruska in proposing legislation to tighten beef import restrictions. Many similar bills have been introduced in the House. Perhaps some of the momentum behind these proposals was sapped by the slight improvement in cattle and hog prices this Summer, simultaneous with, if not occasioned by, a 30 per cent cutback in meat imports for the month of June. At any rate, these bill have not been passed and to date no action has been scheduled on them in the House.

For anyone who was led by the statistics in June to believe that the situation was righting itself and there was no need for concern, I would only point out what occurred in July. The members of this Committee are probably aware that during the month of July imports covered by the meat import quota laws soared to 45 per cent above July a year ago. This was 27 per cent above the June figure for this year and amounted to 6.7 per cent of our entire domestic production during July. These imports totaled 121.6 million pounds, as compared with 84.1 million pounds for the same period a year ago!

In addition to the effect on price, which should be obvious, there can be no possibility of any kind of stable planning or investing by cattlemen when meat

imports are allowed to swing so widely as they did in June and July or to reach so great a proportion relative to our domestic production.

Unless imports are more strictly limited and controlled, the domestic producer of cattle and other livestock for meat is faced with only two alternatives. Either he must continue to expect and receive inadequate prices for his products or he must quit the business.

The production figures over the past year indicate production is generally increasing in cattle and hogs, with cattle up 3 per cent and hogs 12 per cent in July over a year ago. Note, however, this interesting factor: Commercial production of red meat in the continental United States was down 8 per cent in July from the figures for the preceding month, while imports rose by 27 per cent in the same period.

Thus, the farmer is caught both coming and going. If he reduces production in the hope of improving his price, foreign imports rush in to fill the gap, and both his price and his income suffer. If he continues to increase production, he is accused of ignoring the law of supply and demand and told that his own overproduction is the cause of the painfully inadequate prices about which he understandably complains.

Some livestock specialists predict now that over the short run—the next two or three years—domestic cattle production will be down slightly and cattle prices should edge up slowly. If we can assume that imports will not take up all the slack as they have in the past, perhaps predictions of improving prices will prove accurate. If they do many people will no doubt again be fooled into the assumption that the situation has corrected itself. The result will be still another cruel blow to the cattleman, for even the forecasters who are predicting improved prices admit that the seeds are already being sown for a situation that will plunge the market right back into its present doldrums within a few years. Those seeds are being sown in the form of another build-up in the cattle herd. It will take a while before this build-up matures into overproduction of table meat, but its effect will begin to be felt prehaps by late 1969 and then we will again be in for several years of over-production and low prices.

There is only one way that a relatively stable and adequate price can be maintained for domestic producers under present conditions, and that is to limit imports.

The Secretary of Agriculture recently indicated his belief that a further tightening of restrictions on imports would mean "almost nothing" in terms of increased prices and would seriously damage other segments of the agricultural economy because other nations would retaliate and reduce their own imports of U.S. farm commodities.

A major point which the Secretary overlooked is that these other nations already have restrictions on our agricultural products, on which they continue to increase their levies or subsidies whether we restrict imports or not. For example, the *Farm Journal* magazine recently reported that the Common Market will probably raise their levies against our corn and grain sorghum imports by nine dollars a ton sometime this month. For another example, the Common Market recently established an export subsidy on canned ham that amounts to about 50¢ on a two pound ham. I suppose they took that action hoping we would not increase our present 3¢ per pound duty on such hams in accord with our agreement under the Kennedy Round not to do so. And, judging from our past performance, we probably will not, even though we could legally do so under Section 303 of the Tariff Act and ought to do so to relieve the pressure on a pork market already depressed as a result of increasing imports.

As for the Secretary's view that further tightening of import restrictions would have almost no effect on prices, I need turn only to the study made by your own colleague, Senator Hruska, which indicates that meaningful restrictions could result in a reduction of as much as 25 per cent in the volume of imports. Such a reduction would, of course, be reflected in terms of domestic supplies and prices and it is difficult to imagine how even the Secretary could fail to see that the effect on prices would be meaningful.

Gentlemen, I hope I have helped in some way to demonstrate the dire situation in which American agriculture has been placed by burgeoning imports. Perhaps it is not a serious matter that we should some day soon find ourselves suddenly dependent upon foreign producers for major food commodities—or for that matter for oil, textiles, steel, and other such vital non-agricultural commodities. I believe that it *is* a serious matter. And if it is, and if we wish to avoid such a day in our future, I am hard put on the basis of existing evidence to find any solution that does not include meaningful tightening of our import quota laws.

I urge this Committee in its wisdom to favorably consider passage of such measures as are necessary to protect our national security by maintaining price levels in our basic industries sufficient to keep them viable and healthy and adequately able to supply the needs of our people in times of emergency. I especially recommend to your favorable consideration the proposed legislation to restrict meat imports, as represented in S. 1588.

Testimony of U.S. Representative Mark Andrews

Mr. Chairman and Members of this Committee. I appreciate the opportunity to present these remarks. The State I am privileged to represent is primarily agricultural and as such it has a vital stake in the United States' foreign trade policies affecting our farm commodities.

The question of appropriate laws regulating imports into this country is one of the most important that we face. While we all recognize the need for international trade and certainly appreciate the fact that we cannot raise unreasonable barriers to goods that other countries wish to market here if we are to maintain or increase the amount of our own goods sold abroad, nevertheless, a balance must be struck that will not leave large segments of our economy unduly exposed to unfair competition from foreign sources.

One domestic industry which has clearly suffered from excessive foreign competition is cattle producing. In recent years we have witnessed serious drops in cattle prices with little or no action taken to alleviate this by stemming imports. Most farmers today are caught in a vicious cost-price squeeze with their overhead soaring and prices they receive for their commodities declining or remaining static, and the cattleman is no exception. Last year for example, we witnessed an appalling downturn in cattle prices and this year we have seen little significant improvement. It has been obvious for some time, I think, that the present quota system governing cattle imports is highly unrealistic.

Each year the volume of beef and mutton imports has increased sharply—614.2 million in 1965, 823.5 in 1966 and it is estimated to be approximately 900 million in 1967. As a result, in years when the cattle industry has been overproductive, and market prices are declining because of insufficient demand, large quantities of foreign imports brought in under the present import law only serve to aggravate the situation. Another inequity of course is the fact that processed meat is not even includable in the present quota system. Vast amounts of meat arrive in this country every year that are totally exempt from consideration in determining the allowable quantity of foreign imports.

Clearly something must be done if we are to preserve this country's meat producing capability. I believe that Senate Bill 1588, introduced by Senator Hruska is an excellent piece of legislation which should be given favorable consideration. This bill has wide support throughout the United States and in my own state of North Dakota. Our North Dakota Stockman's Association is staunchly behind it. In addition, I have received a great deal of correspondence from constituents expressing their concern over the present deplorable meat import quota law and their support for this legislation. I would urge this Committee in their deliberations to carefully consider the plight of cattle producers and take appropriate action to alleviate the existing inequitable situation.

Statement of His Excellency the Ambassador of the Argentine Republic, Mr. Alvaro Alsogaray

Mr. Chairman, the Government of the Argentine Republic, and the private sector engaged in the processing and export of meat and related products, especially canned and preserved, are gravely concerned about the restrictive measures presently being considered by the Congress of the United States.

The adoption of the proposed measures would inflict substantial financial hardship upon the Argentine meat packing industry, that has recently been modernised at considerable expense, in order to better adapt the same to the export requirements of the importing countries.

At the same time, the measures contemplated in the case of the Argentine Republic would seriously affect an important sector of Argentine industry, without achieving any tangible benefit for either the United States meat industry or the United States consumer. The reason for this, may be briefly summed up as follows:

(1) The United States imports of Argentine meats consist of canned meats, especially corned beef (75%), and of precooked roast beef (25%). Neither of these processed meats compete with U.S. processed meat products.

(2) In the case of canned meats, it should be observed that the same items have been imported from Argentina during the last fifty years with no injury to domestically produced canned meat, since both are much in demand and their respective prices have increased progressively.

The Argentine canned meat is packed in a retail container, which is popular with the middle and low income group families with children, since it is utilized to make sandwiches, especially for school lunches. The two pound can and larger sizes are used extensively by institutions such as hospitals, schools, cafeterias, etc., in the preparation of hashes and other types of low-priced meals, in which the canned product provides the meat ingredient, so essential in the diet of under privileged sectors of the population.

Finally, it should be remembered that over 95% of these canned beef products have traditionally been imported from Argentina and other Southern countries of South America, namely, Uruguay, Brazil and Paraguay. The same have not increased substantially in volume and represent only fraction of the total value of the United States meat imports. Consequently, the Argentine Government earnestly urges the Honorable Congress of the United States to exclude these traditional imports of processed meats from any restrictive measures they may see fit to impose upon the other imports of meats.

ALVARO C. ALSOGARAY,
Ambassador.

D. COLASURDO & ASSOCIATES,
Mercer Island, Wash.

Senator RUSSELL B. LONG,
Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: We appreciate your efforts expended in the interests of the American consumer. In the final analysis the consumer is also the voter and voters determine which administration shall govern. Presently your committee is considering the further restricting of quotas on import meats—which is analogous to the little boy who said "if you don't play the game my way, I will take my football and leave and there will be no game." In essence, restricting meat imports could easily be interpreted by present friendly exporting countries as a notice for them to declare "keep your Boeing Jets, we will buy elsewhere."

Are the anticipated further restrictive meat import measures by the Senate Finance Committee actually logical? We believe if you sincerely study the situation you will conclude that further restrictions will be harmful to the American consumer, the person whom you are vainly attempting to protect. Listen and you shall hear:

1. Our Domestic Production of lean meat is inadequate to amply supply the growing demands of our economy.
2. The cattlemen's interest is in producing fed cattle—cows and bulls are a necessary evil with which they have to contend and consequently are only sporadically available.
3. Import meats do not compete with fed cattle.
4. Import meats allow the meat industry to utilize the excessive fat and trimmings resulting from fed beef.
5. Utilization of the fat and trimmings allows a more profitable return on the fed beef.
6. Utilization of the fat and trimmings allows marketing of fed beef to the ultimate consumer, Mrs. Housewife, at a lower price since the fat and trimmings are used and not merely dumped in the scrap barrel at either the wholesale level or retail level.
7. This more efficient marketing of the entire carcass in a true sense creates a greater demand for fed beef, the cattlemen's goal—or as some say, "look again or you will not be able to see the forest because of the trees."
8. Import meats allow the industry to produce in quantity hamburger, weiners and similar items at a price level which the average housewife can afford.
9. Hamburger, weiners and similar items constitute a significant segment of the diet of vast numbers of low income families.
10. Import meats are complimentary to fed beef—the presence of import meats has made it possible to market more fed beef.

Are you truly interested in restricting the advance of higher living costs of the American consumer or are you interested in reducing the consumer demand market for fed beef and meat?

Senator Long, we are confident your reply would be in the affirmative, that you are interested in retarding the spiraling living cost of the American consumer and also in increasing the market demand for fed beef.

Consequently, the logical approach is that this country needs import meats. Further restrictions on import meats would impair the diets of low income families and be detrimental to the American cattlemen and livestock producers.

Think Positive.

If you would wish further constructive comments from the grass roots level, we are available.

Sincerely yours,

DICK COLASURDO.

WILSON & GEO. MEYER & CO.,
South San Francisco, Calif.

Hon. RUSSELL LONG,
Chairman of the Finance Committee,
U.S. Senate, Senate Building, Washington, D.C.

MY DEAR SENATOR LONG: Senator Everett Dirksen's "Omnibus Import Bill" stands to create serious problems in expanding U.S. Trade in the World. If we are to sell more abroad, we've got to have a more open policy in this country. Speaking for the Chemical Industry, we must have markets abroad and the greatest problems in price attrition have not been from imports, although they have caused some problems, but from within our own industry where there has been overproduction. However, these circumstances change overnight and the free and open market would seem to be the best way to run things in my mind.

You have natural economic forces protecting our domestic industries and you have dumping laws and other devices which can take care of the bad actors. We urge you to withdraw your support of Senator Dirksen's backward measure.

Very truly yours,

JEFFERY W. MEYER,
President.

NEW YORK, N.Y.

Senator RUSSELL B. LONG,
Committee on Finance,
New Senate Office Building,
Washington, D.C.:

Further restrictions on importation of meat will aggravate existing inflationary pressures by increasing price of nutritious, low-cost foods. Imported beef from grass-fed cattle does not compete with beef from grain-fed domestic cattle. Urge your opposition to new meat quotas.

LAWRENCE J. SAUERS,
President,
American Home Foods, Inc.

RYE, N.Y.,

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.:

Proposals to be considered at Senate Finance Committee hearings this week include severe restrictions on the import of processed meat, meat products, and manufacturing beef. This proposed legislation would unquestionably raise prices to consumers particularly on such low-priced items as chopped beef, pot pies, canned corn beef, and frozen prepared dinners. At present prices the use of domestic beef for these items would increase costs to my company well over a million dollars annually. This does not begin to allow for the anticipated sharp escalation in prices which would be caused by the artificial shortage of these meats. The result would be that many American families who depend on these economic cuts and products will find them entirely out of reach. The imported meat products, mainly from South America, are not produced in this country, and manufacturing beef is in short supply here. Consequently, restrictions would hurt low-income families without in any way helping domestic producers. At the same time they

would be a blow to the economies of the exporting countries which are faced with critical shortages in their trade balances. May I suggest you study the proposals carefully and take a vigorous stand against legislation of this sort.

GEORGE R. VAIL,
President, Morton Frozen Foods.
Los Angeles, Calif.

Senator RUSSELL B. LONG,
Senate Finance Committee,
Washington, D.C.:

We urge rejection of upcoming proposal to tighten quotas on import meats. This proposal would mean sharply increased consumer prices for hamburgers, frankfurters, and similar items which constitute an important part of the diet of large numbers of low-income families. Since these imports are needed in this country and are not competitive with domestic grain-fed beef there is no valid reason to subject consumers to higher cost of living.

ELLIOT BROKERAGE CO.,
ELLIOT C. VORST.

SEATTLE, WASH.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

HONORABLE SENATOR: We wish to strongly voice our opposition to any legislation that would curtail the import of foreign meat on the grounds that it would surely increase the cost of hamburger, weiners, chop steaks, and other basic items that are so important to the low-income families. Without the imported meat to supplement the domestic supply the domestic prices would skyrocket.

Very sincerely,

ACME POULTRY CO.

LOS ANGELES, CALIF.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We oppose protectionist measures. They can hardly affect the local meat industry. They can certainly lose us friends all over the world by removing competitive controls. Such measures would result in increased prices to the customer; particularly those in low-income brackets.

LEOS QUALITY FOODS,
JULIUS BELL.

SAN FRANCISCO, CALIF.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

As members of the meat industry we wish to convey our thoughts on the upcoming hearings by your committee into the possibility of imposing stricter import meat quotas. We feel that any such legislation would adversely affect the consumer by increasing the cost of many manufactured meat items, that imports at present level do not in fact affect returns to the domestic meat producer and that foreign retaliation to such action would contribute to nullifying the progress made by the Kennedy round tariff negotiations.

G. A. PORTELLO & CO., INC.

FORT WORTH, TEX.

Senator LONG,
Chairman, Senate Committee on Finance,
New Senate Office Building, Washington, D.C.:

We wish to state that we are strongly opposed to further restrictions on import meats because of the extreme difficulty in finding domestic manufacturing grade meats.

TEXAS CHILO CO.,
JAMES H. BUCKLEY and JACK H. DERDEYN.

PHILADELPHIA PA.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Don't tighten import quotas hardship on low-income families. Purchasing hamburgers, frankfurters, et ceteria would increase cost of living unnecessarily imports needed they don't compete with domestic grain-feed beef and keeps cost of living down.

COLONIAL BEEF CO.,
LOUIS E. WAXMAN.

TACOMA, WASH.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Please do what you can to defeat any proposals to tighten import quotas on meats on grounds it would mean sharply increased consumer prices for hamburgers, frankfurters, and canned meat items we produce which constitute important part of diet of vast number low-income families, and since these imports are needed in this country and are not competitive with domestic grain fed beef. There is no valid reason to subject consumers to higher cost of living.

NALLEY'S FINE FOODS,
KEN SIDES, *Purchasing Agent.*

SACRAMENTO, CALIF.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

We are strongly opposed to lowering import quotas on meats. Effect of such action will only drive up cost of processed meats to consuming public. Imported meats find use in making frankfurters, luncheon meats, hamberger, and so forth and are therefore not competitive with domestic beef which are raised for consumption as primal cuts. Continued supplies of imported meats are essential to our industry.

MADE RITE SAUSAGE CO.,
T. K. JOHNSON, *Secretary.*

CASPER, WYO.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The Wyoming Wool Growers Association, representing the woolgrowing industry in the Nation's second largest sheepraising State respectfully requests and vigorously solicits your support and that of your committee on S. 1588—Import quotas on meat and meat products; S. 1796—import quotas on textiles.

We urge that S. 1588 be amended to provide quotas by species of meat as in the 1964 Senate-passed bill. Provide reasonable import quotas for lamb meat as in the 1964 Senate-passed bill.

WYOMING WOOL GROWERS ASSOCIATION,
ROBERT P. BLEDSOE, *Executive Secretary.*

LOS ANGELES, CALIF.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Urge that you consider carefully any legislation that would curtain imports of meat products that are needed desperately to keep meat prices from going even higher than they are.

WARNER FOODS, INC.,
SAM DURBIN.

DETROIT, MICH.

Senator RUSSELL B. LONG,
Chairman on Finance,
New Senate Office Building, Washington, D.C.:

This firm is definitely against any type of restriction on imported meats.

CITY POULTRY CO.,
HAROLD HAAS.

LEXINGTON, KY.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We are opposed to further restrictions on meat imports. The following points are a reason for opposition:

1. Restrictions of import would raise prices of hamburger and process meat.
2. Restrictions of imports would hurt the consumer especially the low-income group.
3. Not enough domestic manufacturing beef is produced for our needs.
4. Imported beef does not affect fed cattle prices.
5. Imported beef is necessary in order to maintain orderly and rational marketing.

W. T. YOUNG STORAGE,
TRAVIS PATTERSON, *General Manager.*

PHILADELPHIA, PA.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We vigorously oppose the Senate Finance Committee proposal to place meat imports under additional quota. As a public refrigerated warehouse handling imported meat, we feel these restrictions would definitely affect our business and diminish our economic growth. Also restrictions of imports would hurt the consumer especially low-income groups and there is actually not enough domestic manufacturing beef being produced for our needs. Please give this matter your careful consideration.

UNITED STATES COLD STORAGE CORP.,
TRUMAN PASSMORE JR., *Vice President.*

JERSEY CITY, N.J.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We request that no further restrictions be put on the import of frozen meat into the United States: (1) Restrictions of imports would raise prices of hamburger and processed meats, (2) restriction of imports would hurt the consumer, especially, below-income groups, (3) not enough domestic manufacturing beef is produced for our needs, (4) imported beef does not affect fed cattle prices, and (5) imported beef is necessary in order to maintain orderly and rational marketing.

NATIONAL COLD STORAGE CO.,
ARMAND CANTOR, *President.*

ST. JOSEPH, MO.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.:

The board of directors of the American Angus Association at its quarterly board meeting at St. Joseph, Mo., on the 12th day of October. 1967, adopted this resolution and beg your careful consideration.

Whereas the directors representing 62,457 breeders and improvers of angus seedstock for the increasingly efficient production of quality beef, being concerned that the average prices paid for finished beef cattle at the Chicago market during 1967 have been 10 percent lower than average prices paid at this important market during the years of 1959 through 1964 while costs of production have continued to increase: therefore, we do hereby

Resolve to counsel the Senate Finance Committee to consider carefully the need to decrease the import quotas for beef and that the same time to consider strongly placing all future quotas on a quarterly basis without recourse to importers to make up unfilled quarterly quotas during succeeding periods of any year.

AMERICAN ANGUS ASSOCIATION,
J. C. MCLEAN, *President.*

American International Charlolis Association.
HOUSTON, TEX.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
Senate Office Building, Washington, D.C.:

Whereas butcher cattle are now selling throughout the United States at about 80 percent for parity at a time when production costs are at an alltime high and, whereas hourly industrial wages will buy more beef at the meat counter than at any time in the history of this country and, whereas this unrealistic situation is due largely to the policy of our Government which is giving a large percent of our beef market to foreign beef which has been produced at a small fraction of the cost of producing of American beef and, whereas this unfair and un-American competition threatens the entire future of the American cattle producers, now, therefore, the officers and directors of the American International Charlolis Association with 4,984 members in 49 States at its all quarterly meeting in Kansas City, Mo., on October 13, unanimously urge the Congress to pass legislation at this session of Congress drastically reducing the quota of fresh and canned beef to be imported from Australia, New Zealand, and any other country that prohibits our exports of U.S. live cattle into those countries and which is allowed to compete in this country with our home-produced beef.

J. SCOTT HENDERSON, *Executive Secretary.*

CHICAGO, ILL.

Senator RUSSELL LONG,
U.S. Senate, Senate Office Building,
Washington, D.C.:

Strongly urge you to oppose tightening import quotas on meat. Type of meat presently imported is in short supply in United States and expected to continue so. Any reduction would mean sharply higher prices to consumers of items which constitute important part of diet of low-income families. These imports are not competitive with domestic grain-fed beef, the product of this company.

ELBURN PACKING CO..
R. H. THEISING.

CHICAGO, ILL.

Senator RUSSELL LONG,
U.S. Senate, Senate Office Building,
Washington, D.C.:

We are regular users of imported meats which are processed into items that constitute important part of diet of largely low-income families. Comparable product of this country—cow meat—is in short supply and any reduction in imports would result in sharply increased prices to those families least able to pay. We ask that you oppose any proposal to tighten import quotas on meats.

E. W. KNEIP, INC.,
E. W. KNEIP.

CHICAGO, ILL.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

Domestic production of manufacturing beef is insufficient for our needs. Further restrictions on imported beef would increase the prices of hamburger and processed meats and hurt the consumer particularly the low-income groups, imported

beef is necessary to maintain orderly marketing. Respectfully request your supporting opposing further restrictions on imported beef.

FULTON MARKETS COLD STORAGE CO.

MIAMI, FLA.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

I strongly urge your opposition to further restrictions on meat imports as domestic beef production is not enough for our needs. Restrictions would raise meat prices and hurt the consumer particularly the low-income group and these imports are necessary to maintain a sane market.

ARTHUR J. SCHLOSSMAN.

SEATTLE, WASH.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: In your hearings concerning import meat quotas, we request you consider that any reduction of these quotas will sharply increase consumer prices for hamburger, frankfurters, and similar items, which constitute a large part of the diet of low-income families. Also, reduced quotas are not in the best interest of expanding international trade from this area with Australia and New Zealand. Reduction of quotas could result in retaliatory measures from these countries. Request you deny any further reductions of import meat quotas.

J. ELDON OPHEIM,
General Manager, Port of Seattle.

SAN BERNARDINO, CALIF.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Urgently feel proposal to tighten import quotas on meats be rejected on grounds that it would cause higher prices to consumer and pose considerable hardship particularly to low income families.

DESERT PROVISION CO.,
B. L. LIEBERMAN.

SAN FRANCISCO, CALIF.

RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

May we add our voice in opposing any protectionist legislative measures taken by your committee in further restricting the import of lean meat beyond the present quota basis. Imported lean meats do not compete with domestic grain-fed beef but are essential in supplying necessary protein to low income families depending on hamburger, frankfurters, etc. as an important part of their diet.

ALLIED PACKERS, LTD.

ROCHESTER, N.Y.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

Request opposition to bill further restrictions meat imports insufficient domestic beef available restrictions would raise processed meat prices hurting low income consumers.

ROGER CASH,
President, State Wide Refrigerated Services, Inc.

CHARLESTON, S.C.

Senator LONG,
Committee on Finance,
New Senate Office Building, Washington, D.C.:

Imperative no restriction be placed on foreign meat imports. Actually all restrictions should be lifted but imperative no reduction or quota established. Import restrictions would cause hamburger and other processed meats to soar in price and actually reduce profit to American beef producers as well as substantially hurt American consumer. Your efforts in eliminating restrictions desperately needed.

CHARLESTON OVERSEAS FORWARDERS, INC.

ST. PAUL, MINN.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.:

Central Livestock Association, the largest livestock marketing agency in this country, would like to be recorded as favoring passage of Senate 1588, which would revise the present law governing meat imports by establishing quotas and reducing meat imports by 20 percent.

CENTRAL LIVESTOCK ASSOCIATION,
N. K. GARNES,
General Manager.

BURGER KING,
Franklin Park, Ill.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: It has come to my attention that the Social Security Bill now pending before the Senate Finance Committee has had an amendment added to it which will, if passed, restrict the importation of beef from other countries.

As we are in the hamburger business and are struggling to not raise prices so as to maintain our share of the retail food distribution, we now enjoy, we respectfully request that you do not tamper with the free market price of beef.

Perhaps you know that the beef shipped into this country does not have quite the flavor that corn fed Nebraska beef has been able to command. There are many people who can afford the higher priced, better flavored corn fed beef raised in the United States.

However, many people cannot, and we respectfully request that you let the American people be the judge.

We believe in the free enterprise system and have succeeded only because of the free enterprise system. We started with five employees and now have 50, only because we were willing to charge as little as possible in order to give a big value to the customer and a small profit to ourselves.

Sincerely yours,

DAVID L. BROOKE, *President.*

TAMPA, FLA.,

SEN. RUSSELL LONG,
Chairman, Committee on Finance, New Senate Office Building,
Washington, D.C.

Urge that your committee place no further restrictions on imports of frozen meat. Restrictions would result in higher food prices hurting the consumer and at same time hurt economy by reducing work available to stevedores and storage warehouses. Imported and domestic meats do not compete for same market.

EMERSON GULF FLORIDA TERMINAL CO.,

BRIDGEVILLE, DEL.

SENATOR RUSSELL LONG,
Chairman, Committee on Finance, New Senate Office Building,
Washington, D.C.

Please be advised that we would appreciate your opposition to further restricttions on meat imports; No. 1, restriction of import would raise prices of proc-

essed meats; No. 2, restrictions of imports would hurt the low income consumer; No. 3, imported beef does not effect fed cattle prices; No. 4, imported beef is necessary in order to maintain orderly and rational marketing. Your attention would be deeply appreciated.

NEWTON TRUCKING CO.

PHILADELPHIA, PENN.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

We request that you oppose any action establishing quotas on fresh frozen meats which are not competitive with American grown meat. The imported frozen meats are almost exclusively used in the manufactured products such as frankfurters, sausage, and canned soups. If the importation of such meats is restricted it would affect the lower income bracket particularly. The price of choice meat in the stores should indicate that foreign competition does not interfere with American produced meat.

F. B. VANDERGRIFT & CO., INC.

SAFEWAY TRUCK LINES, INC.,
North Bergen, N.J.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: It has been brought to my attention that the Senate is studying the possibility of further restrictions on the import of frozen meat into the United States and I feel that the type of beef being imported is not readily available from the domestic producers and that the import of beef does not affect fed cattle prices and that such importation is necessary in order to maintain orderly and rational marketing.

If the Senate should further restrict importation of this product, I am certain that Americans in this Country will find the price of processed meats and hamburger more expensive to purchase and this, of course, would affect the consumers of minimal and low income groups. I feel sure you will agree that these people are already feeling the results of our latest tax increase.

Very truly yours,

H. H. GOERTZ.

WILKERSON COLD STORAGE CO.,
Lubbock Tex.

Senator RUSSELL LONG
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.

SIR: The continuing restrictions which our government is placing, has placed, and proposes to place on imported meats is very disappointing. Those meats which are imported consist of very lean meat which is necessary to balance out with the domestic production of fat meats in our country. Unless imported meat is continually made available, hamburger and all of our processed meat items will become much higher priced. This will be very detrimental to everyone concerned with the meat business and especially to those with smaller incomes.

There is one customer, of our warehouse, here in Lubbock, that uses in excess of 100,000 pounds of imported beef clods each month. In times past, when imported product has been scarce, it has been extremely difficult, and at times completely impossible, for this customer to maintain product that is even usable. Even when domestic product has been made available, it has been of such a poor quality, for the type operation this customer has, that it has been impossible to put out a quality product.

Please give every consideration to this subject before adding additional restrictions to imported meats which will not be helpful to anybody in our country. It is very disappointing that the domestic cattle people are making such a big fuss over this matter when they cannot provide the product which is presently being imported and when this product works so beautifully in conjunction with their product and not in competition to it.

Sincerely,

J. G. WILKERSON, Jr.

PORT OF TACOMA, *Tacoma, Wash.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: We have been informed that the Senate Finance Committee is holding hearings on a proposal to tighten import quotas on meats, along with many other commodities. We feel that restrictions on meat imports would not be in the National interest. These meats are primarily used for the manufacture of hamburger, frankfurters, and similar items, which now constitute an important part of the diet of a vast number of low-income families.

Government and industry are putting forth their combined efforts to ward off inflation. Any increased costs of these items would tend to contribute to this inflationary problem, and be detrimental to these low-income families. These imports are combined with domestic beef to create a product within an economy price range and are non-competitive with domestic grain-fed beef.

In addition, importation of meats from Australia and New Zealand has allowed the Northwest area to export large quantities of lumber, pulp and paper products to these countries, thereby helping domestic industries which now are in a depressed market condition.

We ask your support to oppose such disastrous legislation.

Sincerely,

ERNEST L. PERRY,
General Manager.

NATIONAL ASSOCIATION OF NEGRO BUSINESS,
AND PROFESSIONAL WOMEN'S CLUBS, INC.,
Columbus, Ga.

Senator LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

Your support of the meat importers' councils opposition to additional quota restrictions is urgently requested.

MRS. MARGARET L. BELCHER,
President.

BLUE STREAK TRUCKING CO.,
Elizabeth, N.J.

Senator RUSSELL LONG,
Committee on Finance,
New Senate Offle Building,
Washington, D.C.

DEAR SIR: In regard to further restrictions on meat imports.

It may be true that imported beef helps to keep our prices down. That is for beef produced in this country. In this area, no doubt, your concern is with the farmer.

May I respectfully point out, that we should also be concerned with the general public, in particular that great mass of low income families, many of whom get their income from relief and/or poverty programs.

Also, what about U.S. Government Subsistence Procurement programs. In particular for the Armed Forces. The cost in tax dollars would certainly be increased.

In addition, consider the number of United States Industries, with their large employee populations who earn a living from beef imports. From my industry, a large portion of our business depends on picking up beef at the piers and trucking same to the final consignees. You are no doubt aware of the many varied taxes that we contribute. Also the many civil service positions created by these imports.

Most of all there is not enough cattle slaughtered to supply the demand for manufacturing, processing and hamburger meat. The packer will not kill cattle for the lower priced cuts alone. The market demand must be there for the major cuts, from which we get our steaks, etc. In other words the demand for manufacturing beef far outstrips the demand for prime and major cuts. Therefore the importation of this beef is an economical must.

In view of the above explanation, we must beg your indulgence in not only allowing further restrictions on beef imports, but to expand the imports. It can only help our economy in the general broad cycle.

Sincerely yours,

MORRIS H. BURG,
General Manager.

WILL GILL & SONS,
Madera, Calif.

Hon. SENATOR RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SIR: We urge the support of S. 1588, as we feel the excessive foreign imports of beef have made it impossible for us to compete price-wise to the benefit of the cattle industry in our own country.

Respectfully yours,

WILL GILL, Jr.,
President.

MACDOEL, CALIF.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: I urge favorable consideration of the meat import bill referenced above. As a member of the working and consumer public I do not believe Sec. of Agri. Freeman when he says, "Imports of meat do not hurt our producers or labor".

Sincerely

HENRY E. WELLER.

CHARLOTTE, N.C.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

It has come to my attention the U.S. Senate is studying the possibility of further restrictions on the import of frozen meat into the United States. This wire should serve as opposition to further restrictions on meat import for the following reasons: (1) Would tend to raise prices of hamburger and processed meats, (2) would hurt the consumer, especially the low-income groups, (3) not enough domestic manufacturing beef is produced for our needs, (4) imported beef does not affect fed cattle prices, and (5) imported beef is necessary in order to maintain orderly and rational marketing.

B. R. FESPERMAN,
Consumer.

H&H PROVISION CO., INC.,
Somerset, N.J.

Hon. RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR: Please note our opposition to the impositions of any further restrictions on the import of beef for the following reasons:

1. Further restrictions will generate an increase in selling prices of hamburger and processed meats, thereby adversely affecting low income groups.
2. There is not sufficient domestic beef available to meet normal and growing requirements and will not permit of any orderly market in the trading of same.
3. Fed cattle prices cannot be adversely affected by maintaining the present limits of imported beef.

Respectfully,

EDWIN ANDERSON, *President.*

DAVE'S AUTOMATIC DRIVE-IN,
Franklin Park, Ill.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: It has come to my attention that the social security bill now pending before the Senate Finance Committee has had an amendment added to it which will, if passed, restrict the importation of beef from other countries.

As we are in the hamburger business and are struggling to not raise prices so as to maintain our share of the retail food distribution, we now enjoy, we respectfully request that you do not tamper with the free market price of beef.

Perhaps you know that the beef shipped into this country does not have quite the flavor that corn fed Nebraska beef has been able to command. There are many people who cannot afford the higher priced, better flavored corn fed beef raised in the United States.

However, many people can, and we respectfully request that you let the American people be the judge.

We believe in the free enterprise system and have succeeded only because of the free enterprise system. We started with five employees and now have 50, only because we were willing to charge as little as possible in order to give a big value to the customer and a small profit to ourselves.

Sincerely yours,

DAVID L. BROOKE.

STATEMENT OF IRA H. NUNN, A REPRESENTATIVE OF THE NATIONAL RESTAURANT ASSOCIATION IN OPPOSITION TO FURTHER RESTRICTIONS UPON THE IMPORTATION OF BEEF

Mr. Chairman and members of the Committee, my name is Ira H. Nunn. I am the Washington Counsel for the National Restaurant Association. This association has 14,000 members of its own and through its affiliation with 137 state and local restaurant associations it speaks for 110,000 eating and drinking establishments in all parts of the country. The National Restaurant Association includes among its members all types of food service industry—all types of institutional feeding as well as restaurants, cafeterias, drive-ins, etc. of the usual kinds.

Our purpose in coming here, Mr. Chairman, is to address ourselves to one part only of the various proposals your Committee has under consideration at this time, that is, to the proposal further to restrict the importation of fresh, chilled and frozen beef.

Our appearance is entirely in the interest of the consumer. Should the importation of foreign beef be further restricted, there is no doubt that the price of hamburgers and sausages to the consumer would rise. So far as I know, the proponents of the proposal to restrict imports make no other claim.

The food service industry which my association represents is the single largest purchaser of food in the Nation. Our industry buys, prepares and passes on to the ultimate consumer 25 percent of all the food this country consumes. The American housewife is the largest consumer of food, our industry is next in volume, the United States Government is third. One out of every four meals eaten by Americans today is eaten away from home. Very soon one out of every three meals will be taken away from home.

It is the hamburger business which stands to lose most if this importation of beef is further restricted. The "hot dog" business would feel the effect as well. Let us look at the "away-from-home", that is, the restaurant consumption of hamburgers.

Leaving military consumption out of account, we learn from the Market Economics Division of the U.S. Department of Agriculture that 4,464,000,000 pounds of hamburger was consumed in the United States in 1965. Of this 3,468,000,000 pounds, or 77.7 percent, were consumed at home and 996,000,000 pounds, or 22.3 percent were consumed away from home.

The total retail value of this hamburger consumed in 1965 was $2,431,000,000. The value of that consumed at home was $1,734,000,000, or 71.3 percent. The value of that consumed away from home was $697,000,000, or 28.7 percent.

So the food service industry is a large customer and consumer of hamburger and has an abiding interest in the subject of your inquiry.

The proposals which you have before you would roughly cut in half the amount of foreign beef which might legally come into the country. The result of this would be to increase the cost of hamburgers to the consumer by 30 percent to 50 percent depending upon location and other factors affecting marketing.

I submit, Mr. Chairman and Gentlemen, that this result would come about without doing anyone any good—not the cattlemen, not the packers, certainly not the housewife or any other consumer. No one would benefit. We would succeed only in raising our prices and we would do great violence to the economy of two of our most valued allies in the Viet Nam war, namely, Australia and New Zealand. We have all too few allies in Viet Nam, Mr. Chairman. Practically all fresh chilled and frozen beef imported into the United States comes from Australia, New Zealand or Ireland. I make no comment upon the effect these restrictions would make upon our international trade. That has been discussed before your Committee at considerable length.

In reality, Mr. Chairman, this imported beef does not compete in a literal sense with domestic beef. Almost no grain fed beef is imported to our country. Almost all of the imports consist of lean grass fed beef. Thus, lean beef is used in manufacturing—principally hamburger and frankfurters. It is mixed with domestic meat and with the surplus fat stripped from roasts and steaks and thus made into hamburger or other products which may be sold at prices lower than the roasts and steaks produced domestically. The presence in our market of this lean meat from abroad actually stimulates the market for our excess fat. When sold for rendering, the excess fat brings about 5 cents a pound. When sold for mixing in hamburger, it brings about 45 cents a pound.

It is said by the proponents of this measure, Mr. Chairman, that ground beef competes with higher-priced beef because when a housewife chooses hamburger she fails to buy roast or steak. This is not the case. When a housewife buys hamburger she does it either because her family, especially the children, prefer it, or because she cannot afford the higher priced roasts and steaks. If the price of hamburger has been driven up, she will not turn to higher priced meats. The lady will buy spaghetti or baked beans, or perhaps poultry or fish—depending on the price at the time.

And, quite apart from such matters all of which indicate that protection is not really necessary at all, there is a very good regulation in existence now which will provide protection if imports get out of hand and protection should be needed. I refer to the Meat Import Quota Law (Public Law 88-482, approved August 22, 1964). If imports grow to exceed 110 percent of the average of the five year period 1959-63, known as the "trigger point," limitations will be applied. Very recent estimates made by the Secretary of Agriculture and published in the Federal Register of October 4, 1967 (Vol. 32, No. 192, Pg. 13825) indicate that estimated imports of cattle meat, goat meat and sheep meat (except lambs) for the calendar year 1967 will aggregate only 860 million pounds as against a "trigger point" of 904.6 million pounds. The importation of foreign meat is not running high.

Protection is not necessary, Mr. Chairman, and if it were, the law has provided for it.

In behalf of the National Restaurant Association which I represent, I extend thanks for your courtesy in giving attention to our point of view.

SOUTH CAROLINA MEAT PACKERS ASSOCIATION,
Columbia, S.C.

Hon. RUSSELL B. LONG,
Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I refer to the Senate Finance Committee's hearings scheduled to begin Wednesday, October 18, which will consider the tightening of meat import quotas. My position is one of opposition to further limit of such imports and is based on the following reasons:

1. Formulation procedures require a high-lean content in such items as hamburger, hot dogs, bologna and many sandwich and cold cut meats.
2. The fact that government regulations require a high-lean content in the manufacture of certain items.
3. The necessity of lean meat to utilize cuts and trimmings from fancy meat cuts which would otherwise be impossible to use.

4. Lack of domestic "lean meat" supply.
5. Economic factor if only heavy grain-fed meats are used in the manufacture of so-called low-cost diet items.
6. Economic factor on consumer if only fat grain-fed meats are used in the manufacture of accepted "economy" type meats.
7. The effect of low income families which depend on low cost but highly nutritious lean product for diet.

This is an area in which we as Americans, in an effort to do everything bigger and better, have simply concentrated on the fat and fancy type meats without taking into consideration the fact that lean meats are an essential in the meat packing industry.

Only in the past few years have the swine producers seen the necessity of producing the lean bacon type hog. For many years they were guilty of producing over-fat lard type pork. This is your parallel.

Your careful consideration of these points is requested prior to making your decision.

Very truly yours,

J. HARVEY DRAFTS,
President.

SOUTH CAROLINA MEAT PACKERS ASSOCIATION,
Columbia, S.C.

Hon. GRAHAM PURCELL,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. PURCELL: I refer to legislation introduced by you before the Congress which would curtail or reduce the present quotas on the import of foreign processing beef.

If I understand the details of the bill as presented to members of the National Independent Meat Packers Association in Chicago on May 12, one of your basic reasons for such legislation is due to the present market of fat-cattle, that is to say, graded grain-fed heifers and steers in the USDA Classification of good, choice and prime.

If this be the case, I find it impossible to understand just how the reduction of imports of boneless processing beef would have any effect on the problem. Sausage manufacturers (that is to say, processors of frankfurters, bologna, meat loaves, sliced cold cuts, etc.) are dependent upon lean beef for producing such items. These items simply cannot be made from the (by comparison) expensive fat beef.

For some years the lean cattle necessary for such production have not been offered domestically in such quantity as to meet the demands of the processor; thus, the necessity of imports. Apparently the imported beef has not effected the price of domestic processing beef inasmuch as the supply does not meet the demand and the price of domestic is some 4 to 5 cents per pound higher.

I am in complete sympathy with the objective of improving prices of fed fat-cattle to the point whereby the producer derives a reasonable profit on his investment but fail to see how curtailing the import of processing beef can bring about such a goal. In view of the foregoing, I respectfully request that a further study be made as to the effect such legislation would have on the over all economy, the consuming public and meat packing industry before proceeding with such a bill.

Very truly yours,

J. HARVEY DRAFTS,
President.

VALENTINE, NEBR.

Hon. RUSSELL LONG,
Chairman of Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: The continued rise in taxes and other operational costs have cut the margin of profit for us ranchers to a dangerous level. Our operational costs have continued to rise while cattle prices have remained generally static over the last few years. It now takes nearly half a million dollars investment in land, equipment and livestock to produce a living wage to support a family. This will mean the end, before long, to many small and medium sized family ranchers

if we don't get some relief from taxes and competition from excessive imports of beef. These increased and erratic beef imports have been responsible for much of the recent declines and uncertainty in the fed cattle market and subsequent decline in the stocker and feeder market.

I understand your committee will soon hold hearings on the effect of a number of imports on our domestic market. I hope you will see fit to report out S. 1588 (Hruska) to the Senate and use your influence to secure favorable action. You can be certain that it will be greatly appreciated by cattle men over the entire nation.

Sincerely,

WAYNE J. RODGERS.

VIENNA SAUSAGE MFG. CO.,
Los Angeles, Calif.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: In your deliberations concerning import quotas on meats it is suggested that you separate grain fed beef from lean type boneless beef for processing.

Calf-producing ranchers, cattle feeders, and grain producers may be entitled to protection from foreign beef. However, our country cannot produce sufficient lean, processing beef to meet demand of lower income families for hamburger, frankfurters, bologna, and similar meat products.

Respectfully suggest your committee do nothing to cut down the amount of protein bearing lean meat which contributes substantially to the protein diet of those who cannot afford grain-fed steaks and roasts.

Very truly yours,

E. D. MORAN,
Plant Manager.

BILYEU MEATS, INC.
Yakima, Wash.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SIR: It has come to our attention that hearings are about to be held to discuss legislation aimed at tightening import quotas on meats and other commodities.

We feel that the only thing this would really accomplish is to force the already too high cost of living even higher for a group of consumers who can least afford price rises in the meat industry. If we in the meat industry are forced to buy on a market that is consistently high, we will be forced to make our customers absorb this increase in order to stay in business, principally the one to whom hamburger and weiners are a necessity and all they can afford.

At the present time, we are buying hamburger bulls on the local markets at .42½¢ while we can buy choice carcasses for .44½¢. The imported meats are positively no threat to the local producers of grain-fed cattle.

Very truly yours,

ROBERT E. BILYEU.

FOODMAKER COMMISSARY, INC.,
San Diego, Calif.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The lean meat that is imported from Australia, New Zealand, Mexico, Ireland and Canada is not in competition with our grain-fed meats that we produce in United States. If we were to change over to domestic grain-fed beef in our hamburger operations, the product would not be as good, the cost to the ultimate consumer would definitely have to be increased and this starts a chain reaction of inflation.

I am sure you folks are caught between "the devil and the deep blue sea" in trying to keep inflation down and at the same time trying to appease the

American farmer. The country from which we import meat also needs our dollars to buy our exports of which a good many are farm products.

I hope you will consider this letter when your committee discusses import quotas.

Truly yours,

MARVIN BRADDOCK,
Vice President.

L. FRANK AND CO., INC.,
New Orleans, La.

Hon. RUSSELL B. LONG,
Senate Finance Committee,
Washington, D.C.

DEAR RUSSELL: I understand that the Senate Finance Committee is holding hearings next Wednesday on a proposal to tighten import quotas on meats. Since I've just returned from Costa Rica I'd like to give you a few observations for your consideration regarding this sort of legislation.

I spent considerable time talking with Latin Americans about the American image and I would say one salient point dominates their thinking more than anything else, they resent AID. What they really want is a market at a fair price for the product they produce. At present Latin America, particularly Central America is spending a great deal of time trying to develop its cattle industry.

The same thing is true in many other foreign nations who struggle along with unfavorable balance of payments and unfavorable foreign exchange ratios and are very resentful of American assistance.

I don't feel as a purchaser of some of this meat that it is being brought in at prices effecting the American meat industry in the slightest. I don't feel that there is an American product that is completely adequate to supply the needs and demands for the cheaper cuts of meats.

Remember most American beef is grain fed. This is strictly grass fed beef. I think the only effect on the American economy that restrictive quotas have would be to raise the price of the lower priced section of cuts, i.e., hamburgers, frankfurters, etc. I think meat prices are already much too high in this country and if these imports do have a slight dampening effect on the lower end of this meat pricing the majority of your constituents, I'm sure would say "Hurrah".

Our policies sometimes seem shortsighted, when we'll sit by and hand out tremendous sums of money in various programs for AID but are unwilling to feel the slightest pinch of the belt from overseas competition.

I certainly hope you will consider the above in the light in which it is sent, that is, constructive, suggestive observation.

With kindest personal regards, in which all here join, I remain,

Very truly yours,

CHARLES W. FRANK, Jr.,
Secretary.

NORTH DAKOTA STOCKMEN'S ASSOCIATION,
Bismarck, N. Dak.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR: The North Dakota Stockmen's Association is grateful to you and your Committee for the opportunity to present a statement supporting and urging passage of S. 1588 which seeks amendments to the present meat import law. We respectfully request this letter be included in hearing testimony.

The North Dakoto's Stockmen's Association represents nearly 3000 cattle producers and feeders and is generally considered as the spokesman for the beef cattle industry in North Dakota.

Cattle and calves are normally expected to account for about 24% of the annual agricultural income for North Dakota, and, since roughly 80% of our state's total income is derived from agricultural sources, the economic importance of beef is readily apparent.

North Dakota annually expects to receive from $145 to $150 million from the sale of cattle and calves. Any reduction in this anticipated income causes monetary losses to hundreds of local North Dakota communities.

We fully realize that we must live with some level of beef importation so therefore wish to make it clear we do not advocate that imports be shut-off. We do, however, feel that wide monthly variations or fluctuations in the level of foreign beef imports work a depressing effect on domestic prices which those amendments contained in S. 1588 would help to level out.

PRICE EFFECT OF IMPORTS

While the price-depressing effect of increasing imports is difficult to determine with compelte accuracy, it is known that higher imports create deflated price changes in the domestic beef market. The U.S.D.A. has determined the following price flexibilities resulting from beef and veal imports.

IMPACT A—1-PERCENT CHANGE IN PER CAPITA SUPPLIES OF BEEF ON SELECTED PRICES

[In percent]

1-percent change in quantity per capita of—	Results in a deflated price change at Chicago	
	Choice steers	Utility cows
Steer and heifer beef	−1.33	−2.29
Cow beef plus imports of beef and veal	−.29	−.74
Only imports of beef and veal when imports are—		
5 percent of domestic product	−.07	−.17
10 percent of domestic product	−.11	−.27
15 percent of domestic product	−.14	−.35
20 percent of domestic product	−.16	−.40

Source: Livestock & Meat Situation, ERS, USDA, November 1963, tables D and F, pp. 41 and 43.

With the assistance of Richard Fenwick, Livestock Marketing Economist at North Dakota State University who supplies these data, we have attempted to put an approximate dollar-loss to North Dakota's total beef cattle income due to imports of beef and veal.

CHOICE STEERS

We have calculated that North Dakota producers lost an average of $3.00 per 1,000-pound steer in 1966 due to the price-depressing influence of foreign beef imports over the 1958–62 average. In other words, steer prices should have been $0.30 per hundredweight higher in 1966 than during the 1958–62 average because of foreign beef imports. North Dakota marketed 157,000 head of 1,000 pound steers in 1966 alone. Multiplication of the estimated loss per head and 1966 steer marketings reveals an opportunity cost of $471,000. This is revenue which would have accrued to our state's economy had imports been restricted to 1958–62 levels.

UTILITY COWS

Utility cows are the type of beef which is in closest competition with imported beef. This can be seen by the magnitude of the price depressing effect on the previous page. In making a similar calculation for utility cows, we found that the opportunity cost of imports in 1966 was $0.48 per hundredweight or $4.32 per 900 pound cow. North Dakota markets an estimated 150,000 of these cows with a 1966 average loss of $648,000.00

When this loss is added to the previously calculated loss on choice steers, we arrive at an average annual loss of $1,119,000 to the North Dakota beef industry and to our state's economy.

SUMMARY

In summary, then, we support and urge passage of S. 1588 in the belief that it will provide needed benefits to the domestic U.S. beef industry at a time when this industry is struggling desperately to bring the domestic beef supply in line with current demand. We're quick to acknowledge that presently depressed prices are not all caused by foreign imports but do submit that wild monthly fluctuations of foreign beef are a contributing factor in that they are a part of the problem because they cannot be predicted. Only the Congress is capable of taking the action necessary to remove this problem.

Sincerely,

RAYMOND SCHNELL, *President.*

JACK'S MEAT SERVICE, INC.,
KRECK PACKING CO.,
Dallas, Tex.

Hon. Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SIR: We are asking that you oppose any further restrictions on meat imports in your committee hearing on this matter. More restrictions would only raise the price of hamburger and processed meats to the consumer, and would affect mostly the low income bracket families.

It is necessary to use imported meats in manufacturing, as the supply of domestic meat is insufficient.

We will appreciate your help on this matter.

Yours truly,

R. A. LITTLEFIELD, *Vice President.*

ARIZONA CATTLE FEEDERS' ASSOCIATION,
Phoenix, Ariz.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: We have been informed by the American National Cattlemen's Association, with whom we are affiliated, that you have scheduled public hearings on the importation of oil, meat, lead and zinc, textiles, steel and dairy products, beginning Wednesday, October 18. We understand that due to the number of commodities to be considered, oral witnesses will be necessarily limited. In lieu thereof, we respectfully submit this letter as our written statement.

As you know, the ANCA has requested permission to present oral testimony before the Committee on behalf of the 42 State membership and we earnestly hope that you will grant their representative, Mr. C. W. McMillan, an opportunity to be heard.

The Arizona Cattle Feeders' Association supports the oral testimony of the ANCA one-hundred percent and desires to go on record with this written statement to that effect. There is very little that we, as a State Association, can add to the compilations and factual evidence to be presented by Mr. McMillan. In brief, we must have more realistic meat import quotas through legislation as proposed in S–1588!

In this connection, we are requesting our Senators and Representatives in Washington to join us in full support of Senate Bill 1588 which your Committee is currently contemplating. It is our mutual belief that passage of this legislation will enable our industry to remain in a relatively healthy and competitive position for the purpose of providing our great nation with its "number one food choice . . . beef!"

Your full consideration of the American National Cattlemen's Association request for oral testimony—as well as our written statement—will be sincerely appreciated by our total membership of 450 or more cattle people and related industries in the State of Arizona.

Respectfully yours,

PAUL GANZ,
Chairman, Board of Directors.

STATEMENT OF THE NATIONAL COUNCIL OF SENIOR CITIZENS, WASHINGTON, D.C., JOHN W. EDELMAN, PRESIDENT

The National Council of Senior Citizens strongly opposes the bill which is now being considered by the Senate Finance Committee seeking to revise the present Meat Import Law (P.L. 88–482) with new, unnecessary, quotas.

We have already informed the Senate Finance Committee of our objection to an announced plan seeking to attach many other import quota tariff matters to the Social Security Amendments the Committee is considering.

This is a plea to reject specifically the newly proposed meat import quotas.

We of the National Council of Senior Citizens take this position because of the great hardship such additional meat import quotas would mean for millions of elderly Americans.

The members of the Senate Finance Committee surely do not want to force up the price of hamburger, frankfurters and other relatively low priced high protein meat products millions of the elderly buy because their incomes are too inadequate to permit buying better grades of meat.

Driving up the price of relatively low-priced meat seniors buy would undoubtedly force many more of them to eat canned dog food—as some already do—because they are so poor they cannot afford even the least expensive cuts of meat intended for human consumption.

As the Senate Finance Committee members know, the great majority of social security recipients depend almost entirely on their social security benefits. They have little other income.

The nation's elderly are grateful to the Committee for the consideration it is giving the House-passed amendments to the social security law but we feel great concern over reports that, while deliberating on a social security increase, the Committee is also considering quotas on meat imports that would most certainly boost the price of meat for seniors.

We feel concern, too, over reports that the Committee intends to authorize Medicare payments to chiropractors and plans to finance this added cost by raising the amount seniors pay for Part B optional doctor insurance under Medicare.

Already, Secretary John W. Gardner of the Department of Health, Education, and Welfare has reported the likelihood of Medicare Part B premiums going from the present $3 a month to a possible $4 a month with no increase in benefits for the insured.

On top of this, the Finance Committee reportedly is preparing to raise the premium even further, also with no increase in benefits that the National Council of Senior Citizens recognizes for we regard Medicare payments for chiropractic medicine as anything but a benefit to seniors. It would represent instead a dangerous deterioration of the quality health care available under Medicare.

The National Council of Senior Citizens could understand raising the present $3 a month Medicare Part B premium in return for inclusion under Medicare of the cost of prescription drugs seniors require. We maintain that, in limiting Medicare coverage to drugs administered in a hospital or other health facility, Congress left seniors with a heavy burden that forces them oftentimes to choose between spending meager cash for food or for medication essential to their welfare.

We of the National Council of Senior Citizens insist that attaching meat control quotas as a rider to the social security amendments would be giving to seniors with one hand and taking away with the other.

We would like to point out that hamburger, frankfurters and other low-cost popular food products, so important to the elderly and vast numbers of other low income consumers, are made of a so-called manufacturing grade meat—a lean meat produced from grass-fed cattle chiefly developed in Australia, New Zealand and Ireland.

The U.S. cattle industry concentrates on sending animals to feed lots where they are fed grain and fattened to provide steaks and other high-priced meat cuts. Use of grain-fed cattle for hamburger and frankfurters would raise the price of these meats so drastically as to put them well out of the reach of the elderly and others with low incomes.

Imported meat from grass-fed cattle is mixed with fat trimmings from meat of home grown cattle in manufacturing hamburger, frankfurters and similar lower priced meat products. A major item in determining net return on U.S. cattle sent to market is the price received for fat and trimmings economists point out.

Without imported lean meat, the market for fat trimmings will decline rapidly, they predict.

The present law governing meat imports has been in effect since 1964 and, contrary to scare publicity, meat imports have never reached the point where quotas, called for under the law, had to be imposed.

In fact, the Agriculture Department estimates 1967 meat imports will be substantially less than the present law allows.

The National Council of Senior Citizens appeals to the Senate Finance Committee *not* to:

Confuse the complicated social security amendments so vital to the nation's seniors by attaching import quota legislation to these amendments.

Raise the price of hamburger, frankfurters and other relatively low cost meat products by passing the additional meat import quota legislation (S. 1588) or any similar bill at this time.

STATEMENT OF THE NEW MEXICO CATTLE GROWERS' ASSOCIATION SUBMITTED BY ROBERT W. TALBOTT, EXECUTIVE SECRETARY

The New Mexico Cattle Growers' Association is a state organization of 3500 families who operate cattle ranches in New Mexico. Together they account for nearly 60% of the total agricultural income in New Mexico. Agriculture is one of the State's leading industries.

Because agriculture, especially beef production, is so important to New Mexico, we ask this Committee to support S-1588 and allow producers to carry on their business in an orderly manner, relying on their own business ability to operate. If we do not pass this legislation, we allow the continued fluctions in price which have been the market pattern because of imports. Cattlemen will soon find themselves in bankruptcy because the economic decision for supplying the demand is not theirs to make.

I cite to you the attempt of the industry to bargain for higher prices. The work was begun last spring. The price started moving up to the break-even level. Then in July, imports shot up 45% above the same month last year. They went from 5.4% of U.S. production to 6.7% in one month, an increase of 27% over June of this year. A one per cent decrease in supply brings a 3 to 5% increase in prices. Imports were an increase in supply and our prices started tumbling. Futures trading for next April slid from $27.42 to $25.85.

Gentlemen, we submit, with such fluctuations, the cattle industry in New Mexico can make no intelligent management decisions upon which to run its business. Today, the rancher is selling cattle and importers have put a dent in his prices. If cattle weren't contracted by September first, the price dropped with issuance of import figures. These are the problems of S-1588 is to solve.

At the same time, S-1588 does a service to the American consumer. If she were organized to the point where she knew or realized the lack of meat inspection on some foreign meats, she would be in your committee rooms pleading for this legislation. The law now says, "substantially equivalent" when referring to foreign meat inspection. When this meat arrives at a port of entry, it goes into normal channels as U.S. inspected meat. Even our states which have excellent state inspection systems can not move state inspected meat in this manner.

Gentlemen, today you have a chance to help both the cattleman and the consumer with a vote for S-1588, a chance not often accorded to a decision-maker.

Dated this 16th day of October, 1967, in Albuquerque, New Mexico.

NORFOLK PORT AND INDUSTRIAL AUTHORITY,
Norfolk, Va.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

Our understanding U.S. Senate studying possibility of further restrictions on importation of frozen meat. The Norfolk Port and Industrial Authority is opposed to further restrictions. Port of Norfolk has invested thousands of dollars in construction for imported frozen beef handling facilities. Further restrictions would adversely affect marine terminal employment, increase consumer costs, especially low-income groups. Could also possibly upset our favorable balance of trade. Repeat, Norfolk Port and Industrial Authority opposed to further restrictions on importation of frozen meat.

JAMES N. CRUMBLEY,
General Manager.

MOBILE, ALA.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

Respectfully request your consideration not to tighten import quotas on meats. We definitely feel it would tend to increase consumer prices for hamburgers, frankfurters and similar items. Also feel present imports are to competitive with domestic grain-fed beef and feel tightening import quotas would subject consumers to a higher cost of living.

GEORGE M. HAAS,
President,
Haas-Davis Packing Co., Inc.

NEW YORK, N.Y.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Respectfully urge defeat of any proposal to tighten import quotas on imported meats. These used primarily for hamburgers, frankfurters, and so forth, constituting importation portion diet large numbers families. These imports definitely not competitive with domestic grained beef. Decreased quotas will further increase cost of living to nations detriment.

JOSEPH AMELAR, INC.

COLUMBUS, OHIO.

Senator RUSSELL B. LONG,
Chairman, Senate Building, Washington, D.C.:

Urge rejection of "import meat quotas measure" on grounds it would sharply increase consumers prices of hamburgers, franks, et cetera. Because of higher cost of much needed import noncompetitive meat products used in their production likewise causing unnecessary higher cost of living.

THE HERMAN FALTER PACKING CO.

NEW YORK, N.Y.

Senator LONG,
Chairman, Committee on Finance,
New Senate Office Building, Washington, D.C.:

We the employees and officers of John Thallon & Co., Inc. (established in 1868) 50 Broad Street, New York, N.Y., would like to go on record as opposing any further restrictions on meat imports. Our livelihood would be seriously jeopardized should further restrictions be enacted.

WILLIAM O'REILLY,
President, John Thallon & Co., Inc.

FORT WORTH, TEX.

Senator RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
New Senate Office Building, Washington, D.C.:

Request your opposition to any further restrictions on import meats which could only raise the consumer prices on hamburger, ground beef, and processing meats. Insufficient amounts of domestic meats now available for manufacturing purposes for which most import meats are used. This type import meat will have very little effect on domestic prices on fat cattle slaughtered here.

Respectfully,

JIMMY J. STILL, *United States Cold Storage Corp.*

NEW YORK, N.Y.

Senator LONG,
Chairman, Senate Committee on Finance,
Washington, D.C.:

Request your opposition to any further restrictions which would only raise prices of hamburgers and processed meats to consumers, particularly low-income groups. There is insufficient domestic meat available for manufacturing purposes for which imported meats is used. Therefore imports do not affect price levels of fed cattle.

THE TUPMAN THURLOW CO., INC.

NEW YORK, N.Y.

Senator LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We strongly urge that you oppose any further restrictions on meat imports.

THOMAS BORTHWICK & SONS.

GRAND PRAIRIE, TEX.

Senator LONG,
Chairman, Senate Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We kindly ask your opposition to further restrictions. There is not enough domestic meat available for manufacturing purposes, or which this meat is primarily used. Import meats do not affect the price of fed cattle.

THE CHRIS GERHARD CO., INC.

DALLAS, TEX.

Senator RUSSELL B. LONG.
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.:

We request your opposition to future curtainment. Our Nation cannot export in the world market without being willing to import from other countries.

Respectfully,

INGRAM FREEZERS,
FRANK C. SUTTON.

CHICAGO, ILL.

Senator LONG,
Senate Office Building,
Washington, D.C.:

Please record my opposition to reducing beef import quotas. Any move which would increase food cost for lower income group should be repelled.

ELLEN CONNELLY.

NEW YORK, N.Y.

Senator LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.:

We wish you to know of our firm opposition to any such restrictions. We believe any such legislation proposed as a panacea to the ills of the domestic cattle industry would not only prove to be ineffective but would place an uncalled for strain on the American housewife's budget unnecessarily increasing the cost of staple beef items such as hamburger and frankfurters.

AMTRACO COMMODITY CORP.

GREENSBORO, N.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

I understand your committee will hold hearings on a proposal to reduce import quotas on meat. I strongly urge you and your committee to consider the disastrous results a reduced import quota on meats would have on the low-income groups in this country. Our low-income groups are the primary consumers of hamburgers, weiners, and bologna. The lowering of our import quotas would drastically increase the price of hamburgers, weiners, and bologna to these groups. These imports are needed in this country by these low-income groups and in no way are competitive with domestic grain fed beef. There is no valid reason to subject the low-income groups to an increased cost of the meat they can afford and need I strongly urge you to consider the burden that would be placed on these consumers.

O. T. MUNDY,
President, Greensboro Meat Supply Co., Inc.

ST. LOUIS, MO.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

We urge rejection of the proposed amendment to pending meat inspection bill, H.R. 12144, which would require that all products containing imported meat be so labeled as to indicate that fact. This company produces 22 separate frozen prepared food products utilizing beef in which both domestic and imported beef are used alternately, depending upon availability, quality and market price. The proposed labeling requirement, involving label duplication and identification and segregation of all beef brought into our plants, would render the use of imported beef impracticable. Others in the same industry are in the same position and consequently this proposed amendment should be recognized for what it is, a back-door embargo on meat importation.

Elimination of imported beef and complete dependence upon domestic manufacturing beef would seriously debase the quality of our products and adversely affect our operations which employ 3,000 people in the States of Missouri, Minnesota, and California. More importantly, it would give a sharp push to the cost of living to those least able to afford it through price increases in a multitude of frozen and canned products which utilize imported beef at least a portion of the year. This detrimental effect on the consumer would not have corresponding benefits to the domestic beef industry since imported beef competes almost exclusively with domestic cow beef which is a byproduct of the dairy and beef cattle industry. Production or marketing of this type domestic beef would not automatically respond to higher prices and the absence of import competition.

HOWARD A. STAMPER,
President, F. M. Stamper Co.

ATLANTA, GA.

Senator RUSSELL LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.

We respectfully request your opposition to further restrictions on meat imports. Additional restrictions would raise prices of hamburger and processed meats because not enough domestic manufacturing beef is produced for the needs of the industry. Young Americans consume millions of pounds of this product daily and will be greatly affected by your decision.

JOHN VANDEGRIFT,
Chairman of the Board,
Commercial Cold Storage, Inc.

OBERTO SAUSAGE CO.
Seattle, Wash.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: Help! don't put us out of the Beef Jerky business— 95% of the meat which we use for our Beef Jerky (Inside Beef Rounds) is not even available domestically as there is a very limited supply in this country. Any curtailment of importing of this meat would be critical. Even the imported products are scarce and we have been unable to supplement our supply domestically.

Sincerely,

ARTHUR P. OBERTO,
President.

STATEMENT OF NEVADA STATE CATTLE ASSOCIATION, SUBMITTED BY LESLIE J. STEWART, PRESIDENT

First, imports of beef are not necessary to insure the domestic consumer an adequate supply of beef. Actually the economy of the beef cattle industry is suffering from over production at the present time. We are making an all out effort to gear our production to demand. The domestic industry can expand even beyond our present capacity. Adding the tonnage of imported beef to our domestic supply places the beef industry under dire financial circumstances.

The production of beef is common to all 50 states. It is one of the basic industries and producers of new wealth in many of the states. Many local economies are primarily dependent upon beef production.

One important and serious aspect of beef imports is that the imported beef competes with our lower grade meat, specifically cow meat. The price of this type meat has been badly depressed due to imports. When this happens many producers rather than market a cow, the unit of production, at the proper age will retain this animal in the brood herd and produce another calf. This tends to compound the trouble and further increase the tonnage of domestic beef. If a price representing a profit to the producer of this cow were available when she reached the optimum disposal age the cow would be slaughtered and not held in the brood herd for further production.

Specific important provisions of S. 1588 that would be of great help to the beef industry are:

(1) Establishment of a "trigger point" for reduction of imports at actual quota level and not the 109% of quota as under the present law.

(2) Canned, chilled and frozen beef be included in the quota.

(3) Inclusion under the quota of overseas purchases by the Armed Forces for consumption overseas.

(4) Quota to be established and regulated quarterly. This to prevent seasonal and unpredictable flooding of the domestic market. It is impossible for us to regulate and police our own production if we are subject to these unpredictable flucuations.

We in the beef industry feel S. 1588 is essential to the economy of the industry and to insure the consumer of beef in the United States a clean, well inspected, adequate supply of beef.

BUNKER HILL PACKING CORP.,
Bedford, Va.

Senator RUSSELL D. LONG,
Chairman, Finance Committee,
New Senate Office Building,
Washington, D.C.

GENTLEMEN: It is my understanding that the question of reducing import quotas of imported beef is again up for consideration by your committee.

A lot of people are misled by throwing all imported meat and all domestic meat into single categories. You have in both cases so called "table" cuts and manufacturing beef. This spring, due to a gigantic mixup in the Department of Agriculture's estimates, the country came up with a great surplus of "table" beef. The shortage of manufacturing beef, which comes mainly from cows, stems from the decreasing number of dairy animals caused by the great number of people who have gotten out of the dairy business due to the small return on a large investment and the great amount of work involved.

If it were not for an available source of imported manufacturing beef, the canned meat industry would be in a disastrous position. We are using about 85% imported beef at this time because we found that we could not compete with the larger packers, Armour, Hormel, Swift, Libby, etc., when doing our own slaughtering. I won't take time to go into details, but I would be happy to explain it to you if you want further information.

At any rate, let it suffice to say if these restrictions are placed on imported beef, we will be in a position whereby our very existence will be in jeopardy. We are, when compared to the larger packers, small; but we do a very good job regionally, thus giving us a great potential for increased growth. There are many, many other manufacturers in the same position we are in.

I believe when the arguments are advanced for reducing quotas, you will find that little mention will be made of the difference between the two kinds of beef. It is an important factor, however, and one that should be investigated carefully before any action is even contemplated.

I urgently request that you do everything possible to put a damper on, and if possible defeat, any actions suggested before your committee designed to change the quota system.

Very truly yours,

JOSEPH W. VALIANT II,
President.

WEST VIRGINIA RETAILERS ASSOCIATION,
W. Va.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.

MY DEAR MR. LONG: I note that Senate Bill 1588 dealing with Meat Import Quotas will be among several bills included in a hearing before your Committee beginning on October 18.

The bill is of major concern to consumers and retailers of West Virginia. Therefore, I request that the attached statement in their behalf be filed in the proceedings of the hearings and that a copy be made a part of the portfolios of Committee members.

You will note that the statement is in opposition to Meat Import Quotas. We cannot emphasize our opposition too vigorously.

Respectfully yours,

CHARLES HOPKINS,
Executive Vice President.

STATEMENT IN OPPOSITION TO S. 1588 BY THE WEST VIRGINIA RETAILERS ASSOCIATION

MR. CHAIRMAN AND GENTLEMEN: The West Virginia Retailers Association has made an in-depth study of Senate Bill 1588 dealing with Meat Import Quotas. As you are aware, S. 1588 will tighten current quotas on meat and meat products. The WVRA study shows that such action is unnecessary and undesirable.

The current cost-price squeeze affecting U.S. cattle producers has not resulted from the impact of imported meat. In 1966, domestic cattlemen raised 19.5 *billion* pounds of beef. Imports, on the other hand, accounted for only 750,000 *million* pounds.

Imported beef is of the manufacturing variety and does not displace sales of table beef. Imports merely supplement U.S. production of manufactured beef and studies show that U.S. manufactured beef products are inadequate to meet the requirements of both processors and retailers.

Your attention is directed to the fact that retail prices of ground beef, hamburger and sausage products used by a major segment of the consuming public will be forced upward sharply if imports are curtailed further.

The effect of the passage of S. 1588 on the family pocketbook of West Virginians will be of interest to you, also. Though the figures used are a result of a study in the Mountain State they are applicable to the other states of the nation and, thus, to your constituents.

Domestic cow meat is selling at *59¢ per pound wholesale price* to the stores of West Virginia. This price is predicated upon buying, thus, it is possibly higher to the small independent grocer. Without any outside force operative, this price will rise to *63¢* per pound by *December, 1967.*

However, if restrictions are imposed on imports, the wholesale price of domestic frozen boneless beef will rise to a minimum of *73¢* and a possibility of *79¢* per pound before *December, 1967.*

This would mean that the retail price of ground beef, which is now selling in the stores of West Virginia for *69¢* per pound, and has never sold for more than *79¢* per pound, would cost consumers a minium of *99¢* per pound. Thus, by an irrational act of closing down the import of meat from foreign countries, Congress would immediately impose a *20* to *30¢ per pound price increase.* This is inflation running wild.

It is necessary to emphasize that our study revealed that the grocers' ability to *move cattle beef* to the retail counter depends almost entirely on the ability of the retailer to move ground beef across the counter. This is brought about because of the necessity of making use of the fat trimmings from grain fed beef in order to sell the better cuts of beef at a competitive and reasonable retail price.

Thus, it becomes immediately clear that if the price of ground beef becomes prohibitive as it will if the meat import bill is passed, it will deter general meat movement into the market and will definitely cause a back-up effect and a tremendous price increase on the movement of carcass beef.

A review of statements made by some members of the Committee show a great concern for the inflationary spiral that is acting like a cancer on the

economy of this nation. However, mere expressions of concern are not sufficient. The slowing down and eradication of inflation is predicated upon action by a Congress and its committees when this great body is in a position to strike at such malignancy. You, in your consideration of S. 1588, are in such a position. Defeat of this proposal will keep meat products flowing to the tables of America at reasonable prices.

It is the opinion of WVRA that you neither want a slow down in the use of meat products nor an escalation of prices. Therefore, the WVRA calls on you to discard S. 1588.

Please accept the appreciation of the West Virginia Retailers Association for this opportunity to enter into the legislative role with you.

JACK'S MEAT SERVICE, INC.,
Dallas, Tex.

Hon. Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SIR: Regarding the Senate Finance Committee hearing on meat imports, we ask for your opposition to any further restrictions which could only raise the the price of hamburger and processed meats to the consumer. This would affect particularly the low income brackets. There is insufficient domestic meat available for manufacturing purposes, for which imported meats are used. Imports have no effect on fed cattle prices.

Thanking you for your consideration, we are,

Very truly yours,

ROBERT L. PERRY,
Vice President.

STATEMENT BY NORTHWEST ARKANSAS CATTLEMEN'S ASSOCIATION, ROBERT E. BENTON, PRESIDENT, ON BEEF IMPORTS

In 1947, the average earner worked 31.4 minutes to buy one pound of beef, whereas, in 1966 he worked 18.7 minutes to buy one pound of beef of higher quality.

The price received by the U.S. producers of beef has remained static, or declined over the past 20 years while the cost of production has skyrocketed.

We don't want beef to become to expensive as we realize that too large of an increase would make beef more vulnerable to competition from other meats, chicken for instance, and if we started to make a decent return on our labor and investment every drug store cowboy in the country would get into the business and flood the market. But, we do believe that we should receive a small return above our cost. For example, I have seen figures showing the average cattlemen in 1965 received a lower net income than the average Negro family in Watts, Los Angeles, California.

Our gross income from beef in 1966 was 11.3 billion dollars, approximately one-fourth of the gross farm and ranch income in the U.S., and all of the things that depress our prices are bound to adversely affect the farm industry in the United States.

The world's cattle population, according to the U.S. State Department of Agriculture, is 1.104,000,000 head and under the present thinking of the National Administration, any portion of that number will be imported to hold down prices. Evidently the government is afraid that the present world cattle population is not adequate so it is lending or granting money to other countries so such countries can increase their cattle for export. This can be proved by checking the loans made by the Import-Export Bank and by checking the loans made through the Alliance for Progress Program.

The beef importer and those in favor of cheap food at the expense of the producers, argue that the lean imported beef does not lower the price of U.S. beef. This is a very weak argument as it can easily be seen that such beef is in direct competition with cull cows and two-way cattle. It might be said that such animals are a very small percentage of the total production and have a very slight effect on the net income of cattlemen. But, consider this, many cattlemen cull 20% of their cows every year and four dollars less per hundred, which we think is a reasonable estimate of the loss caused by imports, for these cows can easily be the difference between a loss or gain for the entire business. Also, the

two-way cattle if slaughtered as gross fat beef instead of being fed out would reduce the total beef tonnage and allow a slight increase in price of fed cattle.

Can we depend on foreign countries for a steady supply of beef? I don't think we should be forced to and if we are, look at the tonnage that has been brought in over the past three years. It has varied from less than 50,000,000 pounds per month to above 100,000,000 pounds per month. I don't think our people can stand that kind of variation.

The U.S. import duties on beef are lower, by a large percentage, than any other major importing country. According to a letter from the U.S. Secretary of Commerce, dated July 18, 1967, the actual figures are:

Beef boned or boneless:

U.S. 8.9% of the present advalorem equivalent,
U.K. 20% of the present advalorem equivalent.
EEC 20% of the present advalorem equivalent,
Japan 10% of the present advalorem equivalent.

As of now the U.K. does not charge import duties on beef imported from commonwealth countries. However, when it joins the EEC it will be forced to charge EEC rates to all countries.

The EEC countries use variable levies, these are fluctuating duties equal to the difference between the internal price level and the lowest representative world price. These levies, which may be calculated daily, insulate the domestic farmer from outside competition by raising import prices up to or above EEC prices. Also, frozen beef requires import certificates and is subject to a quota. Why can't our government do as much for us?

What if the flood of foreign beef continues and increases as is allowable under present arrangements? We will stay broke and finally be forced out of the business. What then? The broke cattlemen may deed all of his remaining assets to his children, as many other people do, and go on welfare; or if he has any remaining capital left, he might go to Australia and get in the cattle business there; or he might organize others like himself and riot, but very likely he will move to the cities and try to compete for the available jobs. But, I see a bleak future in any course he may take. True the cattlemen have many skills, for example, he is an expert in feeding, herding, doctoring, breeding, castrating and dehorning, in horsemanship, and in pasture management. But, I am afraid these skills, even though some of them are sorely needed, will demand a very low wage in the cities.

TEXAS & SOUTHWESTERN CATTLE RAISERS ASSOCIATION,
Dallas, Tex.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: These are discouraging times for the nation's beef producers and cattle feeders. An all out effort is being made by the nation's cattlemen to cope with the problems facing the domestic cattle industry today. However, the present influx of imported beef into this country makes it difficult for the cattleman to provide any significant progress for himself.

It has come to our attention that the Senate Finance Committee has scheduled hearings on the importation of various commodities beginning on Wednesday, October 18.

The Texas and Southwestern Cattle Raisers Association desires by this letter to make known to the members of the Committee its strong urging that this serious problem facing the nation's cattle industry be relieved by favorable action on Senate Bill 1588. We will be represented at the hearings with statements presented by representatives of the American National Cattlemen's Association, with which we are affiliated. We shall appreciate your favorable reaction to the presentation on this subject by this group, which will represent all segments of the nation's cattle industry.

With very best personal wishes, I am,

Sincerely yours,

BEN H. CARPENTER,
President.

TERRETT RANCH,
Miles City, Mont.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

MY DEAR SENATOR LONG: The purpose of this letter is to urge you and the members of your Committee to give serious and favorable consideration to S. B. 1588 now pending in your Committee.

A reduction in meat imports is vital to the livestock industry. The industry is operating on a marginal basis and if it is to be allowed to exist a very material reduction in import quotas must be brought about. Failing this then it would seem that there should be a decided increase in the tariff on imported beef.

Surely an industry as necessary to the preservation of the country as the beef industry is entitled to enough protection to permit it to exist.

Sincerely,

JULIAN TERRETT.

RUTHERFORD RANCH,
Eagle Point, Oreg.

Senator RUSSELL B. LONG,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: As American beef producers, as Farm Bureau members, and as members of the Oregon and California Cattlemen's Assn., we sincerely urge a drastic CUT in meat imported into this country.

Excessive imports have long been a serious factor in the low prices American producers have received, and the situation is becoming steadily worse. It is the idea of the Dept. of Agriculture to hold the price of beef down by dumping imports on the market. Each time there has been a slight increase in the price of beef, there has also been increased imports. This is not necessary, because the law of supply and demand will keep the price of beef under control. For instance, as the price goes up more American farmers will raise beef, and the more raised, the lower the price. At the same time, we would be guaranteeing our Nation enough beef. If the countries from whom we are now importing meat, should suddenly become unhappy with us (over the Viet Nam situation or something) and cut us off from their imports, and in the meantime, American producers has gone out of production, where would we get enough meat??? In July there was a 27% increase in imported meat over the month of June—a total of 121.6 million pounds of fresh, frozen, and chilled meat. These are not just cheap meats, but steaks and roasts!

Today, in America, each farmer feeds 38 besides himself. Each time an American producer goes out of farming, the food supply for 38 others has to be added on to other farmers' production. Farming, today, is very unattractive. We are 4th generation farmers, but we are telling our sons NOT to go into farming. The risk is too great; the work is too hard; the pay is too little; and the government takes away all the incentive. In order to keep our ranch, and continue to raise cattle, we have had to seek outside employment. If our costs continue to spiral and soar, and our net income continues to dwindle, we will be forced to do as so many farmers have already done—quit farming!

With proposed population increases, with foreign relations becoming strained, and with American farmers selling out, it is vital that government keep "hands off" farming, that import quotas on meat be slashed, and that American farmers be allowed to go "full steam ahead"!

Very sincerely,

Mr. and Mrs. L. D. RUTHERFORD.

BRENHAM C. CROTHERS,
Ferriday, La.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I have received notice of your scheduled public hearings on the importation of oil, meat, lead and zinc, etc.

I am enclosing herewith a statement I have prepared on the domestic cattle industry and the need of a more restrictive import law. I am not going to discuss

the present law which fixes quotas based on meat imports (dressed meats frozen) during the years of 1959–63. You will hear it discussed orally during the hearing. We are glad to have the limited protection this law provides but it certainly needs some revision. Serious price declines have hit the cattle industry during the past sixty days and the outlook is not bright.

As you are far better informed in matters of the domestic oil industry and what it has meant to our State and Nation than I, so my comments will be brief. . . . Wild-catting provides many jobs and stimulates the economy of many areas of our nation. And adequate reserves right here in this country are a vital requirement for our survival. . . . I like your proposal to write into law the present voluntary quotas. It would close many loopholes.

In the event American National Cattlemen's staff members or representatives appear I will greatly appreciate any favor you may tender them. They will have a message worth your consideration.

Thanking you for your many favors of the past and with best personal regards, I am

Sincerely yours,

BRENHAM C. CROTHERS.

STATEMENT BY BRENHAM C. CROTHERS, A FORMER PRESIDENT, LOUISIANA CATTLEMEN'S ASSOCIATION, AND A DIRECTOR AND SECOND VICE PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

First, let me state that I will not support an embargo on meats and oil importations. Provided, of course, that the meats are dressed and prepared under the same strict sanitary requirements imposed in these United States. I do, however, feel that limited restriction is wise and necessary in order to bring price stability to two very important and very necessary industries. For these two domestic industries are going to need increased income just to stay even with rising cost.

I am informed that we have 45,000 or more herds of cattle in Louisiana and that cattle and calves were the top income producer in Louisiana Agriculture in the year 1966. This is no doubt true in many other states as cattle are produced commercially in most of the fifty states. It is a great industry that prefers to avoid government controls and subsidies and desires to pay its own way. But is this going to long be possible if the things we use, need and have to buy keep advancing while our products stagnate or decline? I am seriously concerned over the precipitous decline of most domestically produced agricultural commodities in the recent past. Cheap feed may mean cheaper meat and cheaper meat will ultimately mean cheaper live cattle from the feeder calf to the finished steer.

In order for the cattle industry to thrive and grow in keeping with the gradually improved standard of living and the growth of our population and the need for more meat, it is going to need some protection from excessive imports. To permit imports in excessive quantities to enter our Nation from countries whose costs are much below ours is not conducive to the maintenance of a healthy and very important industry. This is a highly developed country with the highest standard of living of any nation and it is still rising. We have high costs, high wages, high taxes and a price structure in keeping therewith. American Industry has always enjoyed some protection and its greatness was not achieved by opening our shores to the wares of inferior nations producing competitively with impoverished labor.

I must call your attention to the very pertinent fact that is rarely discussed in agricultural circles in this national Capital. It is the undeniable fact that the red meat industry of this country, even though not subsidized, is the largest consumer of subsidized feed grains. And, the cattle industry is the largest user. Without the cattle industry what a glut and disaster there would be. A healthy cattle industry is essential to the well being of the feed grain operators. And a healthy and prosperous cattle industry is a must if Americans are to continue to enjoy an adequate and wholesome supply of delicious beef. . . . Senate bill 1588 should be passed in its entirety. . . . It is our best evaluation that the cattle industry is becoming a sick industry.

F. M. STAMPER CO.,
St. Louis, Mo.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SIR: With reference to hearings to be held October 18th, 19th and 20th on various proposals to impose quotas on specified commodities, we hereby go on record that we are opposed to any further restrictions on meat imports.

This Company produces 22 separate frozen prepared food products utilizing beef in which both domestic and imported beef are used alternatively, depending upon availability, quality and market price. Reduction of imported beef and dependence upon domestic manufacturing beef would seriously debase the quality of our products and adversely affect our operations which employ 2,000 people in the state of Missouri alone. More importantly, it would give a sharp push to the cost of living to those least able to afford it through price increases in a multitude of frozen and canned products which utilize imported beef at least for a portion of the year. This detrimental effect on the consumer would not have corresponding benefits to the domestic beef industry since imported beef competes almost exclusively with domestic cow beef which is a by-product of the dairy and beef cattle industry Production or marketing of this type domestic beef would not automatically respond to higher prices and the absence of import competition.

Yours very truly,

D. W. EDWARDS,
Vice President.

CUSTER COUNTY LIVESTOCK MARKETING ASSOCIATION,
Challis, Idaho.

CHAIRMAN, SENATE FINANCE COMMITTEE
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The Custer County Livestock Marketing Association, consisting of 419 members is 100% against any increase of meat imports.

We feel that meat imports should be kept to an absolute minimum. In accordance with this feeling, we are supporting S. 1588.

Sheep directors

Lynn Johnson, President
Vernon Johnson, Vice President
Dan Woolley
Bill Hammond
Clint Bitton
Darrel Leavitt
Nyle Thornock

Cattle directors

Kenneth Stewart, President
Tom Chivers, Vice President
Kenneth Bradbury
Gilman Martiny
Herbert Barnett
Vic Johnson
Rodney Pearson
Robert Amy
Ray Corgatelli
Esther Bitton, Treasurer

Yours respectfully,

FRED L. EDMISTON, *Secretary.*

COLORADO CATTLE FEEDERS ASSOCIATION,
Denver, Colo.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The cattle industry in Colorado is the greatest single contributor to the economy of the State and the cattle feeding section of this great industry has grown by leaps and bounds since the close of World War II.

This growth in the cattle feeding industry has contributed to the well-being of the entire country as beef from Colorado feedlots is to be found in restaurants from coast to coast and border to border.

However, the cattle feeding industry in Colorado and elsewhere is now faced with a serious problem. . . . a temporary over-abundance of domestically produced beef. At the same time the country is being virtually flooded with imported meats and the result has been that the American producer is being forced to sell his product at prices that are seldom little better than the cost of production. The situation is such that some cattle feeders have been forced out of business because of the depressed condition of the live cattle market. In Colorado, according to the U.S.D.A. Statistical Reporting Service, the number of feedlots operating on January 1, 1967 was 1,027, compared with 1,319 feedlots in operation on January 1, 1966. The same report showed that the 32-State total of operating feedlots had declined by 3,124 during the same period.

We are aware that the imports of foreign beef are not entirely to blame for the unfavorable price situation in the cattle market, but we do know that beef is its own greatest competitor. . . . if you eat a pound of hamburger you will not eat a pound of steak.

In view of these facts the Colorado Cattle Feeders Association wants to go on record as strongly supporting S. 1588 in order that there is better control over imported meat, especially during periods of over-abundant domestic production.

Sincerely yours,

JAMES L. HENRY, *President.*

STATEMENT OF THE IOWA BEEF PRODUCERS ASSOCIATION, SUBMITTED BY ORVILLE KALSEM

The Iowa Beef Producers Association appreciates the opportunity to present its thinking, and its policy, before this committee of the Senate.

This Association, representing nearly 60,000 beef producers within Iowa, is asking your support for the following amendments to the Meat Import Law.

(1) To eliminate the 10 percent "override" from the present law, so that quotas would be applied at 100 per cent of the quota level.

(2) To establish 1958–62 as the base period for determining import levels, thus insuring that he "growth factor" be applied based on a more equitable five-year period.

(3) To require that the quotas be imposed on a quarterly basis.

(4) To include all meats purchased with appropriated funds from overseas sources be applied against the import quota.

(5) To permit the President, at his discretion, to add the following meats to the present quota lists: canned, cooked and cured beef, veal and mutton: also pork and lamb products.

(6) To apply the quotas each quarter, with no provisions for unused portions of the quota to "carry over" to subsequent periods.

These recommendations were widely discussed and debated prior to the annual meetings of the Iowa Beef Producers Association last March, and to the best of my knowledge represent the current thinking of beef producers in Iowa.

As a further, and related step in maintaining the needed balance in both supplies of meats and the quality of same, the Iowa Beef Producers Association seeks your consideration and support for Section 20 of the Meat Inspection Bill H.R. 12144, requiring that foreign meats be required to meet the same standards of slaughter and processing imposed on domestic meat.

In Summary: We request that the meat import quotas be applied at the quota levels: that the amended base period be adopted; that there be no provisions for "carry-over" when quotas are not filled; that off-shore military and other meat purchases, financed by appropriation funds, be considered as a part of the quota totals; that processed meats be added to the present quota meats at the President's discretion; and that imported meats meet the same sanitation standards as those required of domestic meats.

We thank the Committee for considering our viewpoint.

NEVADA STATE CATTLE ASSOCIATION,
Lamoille, Nev.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
Senate Building,
Washington, D.C.

DEAR SENATOR LONG: The Nevada State Cattle Association is deeply concerned over the beef import situation. We understand that very shortly hearings will be coming up concerning meat and other commodities which are imported in to this country.

We strongly support S. 1588 and feel that if the Livestock Producers in Nevada are going to stay in business the passage of this bill is a necessity.

We also appreciate your concern on the matter and feel confident that you will do your utmost to help the passage of this bill which is so vital to the Livestock Producers. Thank you.

Sincerely yours,

FRED H. GILBERT, *Secretary.*

TRI-COUNTY CATTLEMEN'S ASSOCIATION,
Ellis, Idaho.

CHAIRMAN, SENATE FINANCE COMMITTEE,
New Senate Office Building,
Washington, D.C.

MR. CHAIRMAN AND MEMBERS OF THE SENATE FINANCE COMMITTEE: I want to take this opportunity to thank you for allowing me to submit this letter to your committee, it is with pleasure that I do so.

The Tri-County Cattlemen's Association is an organization of over 200 members producing range cattle in Custer, Lemhi and Butte counties in central Idaho.

With your permission, we would like to present the following statements relating to the serious problem of the importation of meat and the impact of declining meat prices on our members and the local economy.

First, the prices we are receiving for our feeder cattle today are less than we received twenty years ago, even though the quality of these cattle have improved markedly during that period.

Second, the producers of the area have organized, financed, and operate their own marketing agency known as the "Custer County Marketing Association", located at Mackay, Idaho. This is a non-profit organization, complying with, and licensed by the Idaho Dept. of Agriculture and the Packers and Stockyards Act. The purpose of this agency is to collect, sort and present for sale quality cattle of a uniform size and type to fit the needs and desires of any buyer. The system has proven to be a worthwhile effort.

Third, the livestock industry is the main source of income to the local County and State Government, the local business man in our small communities and to our public school systems.

Fourth, the operating costs confronted by a livestock operator are three to four times greater today than they were twenty years ago.

The enactment of the meat import quota law was received by the livestock industry as a welcomed piece of legislation, but was viewed with skepticism at the time of its passage, as to how effective it would be. Time has proven that this law with the escalating clause and the powers given to the administration is absolutely worthless and provided nothing more than "lip service" to the actual problem of meat imports.

Further, gentlemen, if we as producers of livestock are going to retain our capacity to provide this nation with meat and meat products in the event of a major national emergency and the future needs of an increasing population, we must be assured of a margin of return on our investment that will keep our plant in operating order.

Still further, gentlemen, the livestock producers of this country have the will, the capacity and the technical knowledge to provide this nation with an abundant supply of wholesome red meat. They are currently spending larger sums of money on beef promotion and marketing, to provide the consumer with an adequate supply and the knowledge to use this supply economically and wisely. Under the present system the producers of foreign meat are reaping the harvests of our efforts in this important field.

We trust that your committee in its wisdom and deliberation will recognize our problem and take immediate action towards a favorable solution.

We wish to express our appreciation and gratitude for permitting us to submit this letter.

Respectfully,

EVERETT E. CANTLIN,
President.

OKLAHOMA CATTLEMEN'S ASSOCIATION,
Oklahoma City, Okla.

CHAIRMAN, SENATE FINANCE COMMITTEE,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR: On behalf of the Oklahoma Cattlemen's Association and the cattle industry of Oklahoma and this nation, we respectfully solicit your support of S. 1588.

The cattlemen of this state and nation are attempting to discipline themselves and the industry for the purpose of maintaining beef production at levels to where they can receive a reasonable return on their investments.

This will never be accomplished so long as the volume of foreign beef can fluctuate as it has in recent months. In July, for example, beef imports were up 45% over the preceding year.

We would like for the record to show that we concur in the statement to be presented by the American National Cattlemen's Association and that they will be representing the cattle interest of Oklahoma as well as the nation.

Respectfully,

ELLIS FREENY,
Executive Vice President.

(S. 2537, to provide for orderly trade in iron and steel mill products, follows:)

IRON AND STEEL IMPORTS*

90TH CONGRESS
1ST SESSION

S. 2537

IN THE SENATE OF THE UNITED STATES

OCTOBER 16, 1967

Mr. HARTKE (for himself, Mr. DIRKSEN, Mr. ALLOTT, Mr. BAYH, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BREWSTER, Mr. BYRD of West Virginia, Mr. CARLSON, Mr. CLARK, Mr. COTTON, Mr. CURTIS, Mr. DOMINICK, Mr. EASTLAND, Mr. FANNIN, Mr. HANSEN, Mr. HILL, Mr. HOLLINGS, Mr. HRUSKA, Mr. JORDAN of Idaho, Mr. LAUSCHE, Mr. MILLER, Mr. MONTOYA, Mr. MUNDT, Mr. MURPHY, Mr. PROUTY, Mr. RANDOLPH, Mr. RIBICOFF, Mr. SCOTT, Mrs. SMITH, Mr. SPARKMAN, Mr. THURMOND, Mr. TOWER, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To provide for orderly trade in iron and steel mill products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Iron and Steel Orderly
4 Trade Act of 1967"
5 SEC. 2. The Congress finds that increased imports of pig
6 iron and steel mill products have adversely affected the
7 United States balance of payments, contributed substantially
8 to reduced employment opportunities for United States work-

II

*Witnesses testifying on this subject, pp. 825–954.
Communications received by the committee on this subject, pp. 954–978.

2

1 ers in the domestic iron and steel industry, and captured such
2 an increasing share of the market for pig iron and steel mill
3 products in the United States as to threaten the soundness of
4 the domestic iron and steel industry and therefore the na-
5 tional security.

6 It is, therefore, declared to be the policy of the Congress
7 that access to the United States market for foreign-produced
8 pig iron and steel mill products should be on an equitable
9 basis to insure orderly trade in pig iron and steel mill
10 products, alleviate United States balance-of-payments prob-
11 lems, provide an opportunity for a strong and expanding
12 United States iron and steel industry, and prevent further
13 disruption of United States markets and unemployment of
14 United States iron and steel workers.

15 SEC. 3. As used in this Act—

16 (1) The term "category" means a seven-digit item
17 number which appears in the Tariff Schedules of the United
18 States Annotated (1965) published by the United States
19 Tariff Commission as in effect on the date of enactment of
20 this Act and which is—

21 (A) within the range beginning with item 608.-
22 1500 and ending with item 610.5260 (except that an
23 item within such range which is specified in section 7
24 shall be included in the term "category" only as pro-
25 vided in such section 7); or

3

(B) one of the following item numbers:

607.1500
607.1800
642.0200
642.3500
642.9000
642.9100
642.9600
642.9700
646.2500
646.2620
646.2640
690.2500
690.3000

2 (2) The term "imports" refers to United States imports
3 in any category or categories within the meaning of para-
4 graph (1).
5 (3) The term "consumption" means, with respect to
6 any category or with respect to all categories, the sum of
7 United States mill shipments plus imports minus United
8 States exports.
9 (4) The term "year" means calendar year.
10 SEC. 4. The President may, after consultation with all
11 nations having an interest in supplying pig iron and steel
12 mill products to the United States, negotiate multilateral or
13 bilateral agreements establishing, for periods beginning on
14 or after the date of the enactment of this Act, annual quantita-
15 tive limitations on United States imports of such products
16 subject to the following provisions:
17 (1) Total imports for each year shall not exceed an
18 amount determined by applying to the average annual

1 consumption during the three years immediately pre-
2 ceding the year in which the limitation is to be effective
3 a percentage equal to the percentage of average annual
4 consumption represented by imports during the years
5 1964 through 1966, inclusive.
6 (2) The percentage of total imports in any year
7 represented by imports in a particular category shall
8 not exceed the percentage of total imports during the
9 years 1964 through 1965, inclusive, represented by im-
10 ports in that category.
11 (3) The percentage of total imports in any year
12 represented by imports from a particular nation shall not
13 exceed the percentage of total imports during the years
14 1964 through 1966, inclusive, represented by imports
15 from that nation.
16 SEC. 5. For periods after the one hundred and eightieth
17 day after the date of the enactment of this Act, the Presi-
18 dent shall, within the overall limits set forth in paragraph
19 (2) of section 4, by proclamation restrict annual imports
20 from each nation which is at any time on or after such one
21 hundred and eightieth day not a party to an agreement then
22 limiting current imports negotiated pursuant to section 4 to
23 an amount determined by applying the percentage of con-
24 sumption represented by imports from that nation during
25 the years 1959 through 1966, inclusive, to the average an-

5

1 nual consumption during the three years immediately pre-
2 ceding the year in which the restriction is to apply.
3 SEC. 6. Within the overall limitations imposed under
4 section 4, the President may adjust the share of United States
5 imports in any category which may be supplied by any na-
6 tion. In making this adjustment the President shall be guided
7 principally by historical import patterns, but may modify
8 such patterns to accommodate interests of developing nations
9 or other changing conditions of international trade.
10 SEC. 7. If imports in any year in any of the following
11 item numbers appearing in the Tariff Schedules of the United
12 States Annotated (1965) published by the United States
13 Tariff Commission as in effect on the date of the enactment
14 of this Act reach 120 percent of imports in that items num-
15 ber during the year immediately prior to the year in which
16 this Act is enacted, then such item number shall be consid-
17 ered a category under paragraph (1) of section 3, and this
18 Act shall take effect with respect to such category on the 1st
19 day of January following the year in which the 120 percent
20 level was reached:

608.1000	610.8020	642.9300	652.9400
608.2500	610.8040	646.2000	652.9500
608.2700	642.0800	646.2700	652.9600
609.1200	642.1020	646.2800	653.0200
609.1300	642.1040	646.3000	653.0300
609.1500	642.1200	646.4000	680.4000
609.8400	642.1400	646.5400	688.3000
609.8600	642.1620	646.5600	688.3500
609.8800	642.1800	652.9000	688.4000
609.9000	642.8000	652.9200	

6

1 SEC. 8. (1) The amount of imports in any category in
2 either half of any year shall not exceed 60 percent of the total
3 permissible amount of import in that category for that year.
4 (2) Should any limitation imposed under this Act take
5 effect on any day other than January 1 of a year, such limi-
6 tation shall apply pro rata during the remaining portion of
7 such year.
8 SEC. 9. (1) Import limitations established under this
9 Act shall be administered by the Secretary of Commerce.
10 The Secretary may issue such regulations as may be neces-
11 sary or appropriate to carry out the purposes of this Act.
12 (2) Whenever the Secretary of Commerce determines
13 it to be necessary to avoid disruption of regional markets,
14 he shall provide by regulation that the proportionate share
15 of total imports and imports in any category from any
16 nation entering through any port of entry in or near such
17 regional markets shall not exceed the proportionate share
18 of such imports entering through such port during the ap-
19 plicable base period. The Secretary shall conduct the review
20 required to make such a determination at least annually.
21 (3) Upon the expiration of five years after the date of
22 the enactment of this Act, the Secretary of Commerce shall
23 submit a report to the Congress as to the effects of the import
24 limitations established under this Act on (1) the economic
25 soundness of the iron and steel industry and employment

1 opportunities in such industry, (2) the general economy,
2 (3) the United States balance of payments, and (4) the
3 national security, together with his recommendations as to
4 whether such import limitations should be continued, modi-
5 fied, or revoked. Before making such report, the Secretary
6 shall conduct a hearing at which all interested parties shall
7 have an opportunity to be heard.

The CHAIRMAN. We will now proceed to the witnesses on steel.

Senator HARTKE. Mr. Chairman, before we proceed to the steel, could I have the indulgence of the committee to make a short statement.

I want to make my position completely clear on the relationship of the steel quota bill and the social security bill.

I want to say publicly and for the record these are and should be considered as two completely separate and independent pieces of legislation. I personally do not favor any effort to attach the unrelated matter of import quotas to the social security bill, which should be accorded special priority.

I have a vital interest in the Iron and Steel Orderly Trade Act which I have proposed, and which is cosponsored by 34 other Members of the Senate.

Separately, I have an equal determination that we must pass the very best social security bill, one that is modernized to meet the needs of our times. To this end I have proposed a series of amendments which I believe are essential improvements of the bill. They include updated provisions for the blind. Another social security amendment germane to that bill would freeze present contributory levels while providing for the eventual participation of the Treasury. I have proposed that the earnings limitation be removed entirely so that those who have earned their soical security and wish to continue earning to pay their own way may do so. I have asked for a minimum monthly payment of $100 one of whose effects will be to strike hard at the poverty problem as it is so greatly affected by the low income of the elderly. The opportunaity to deal with these issues should not, in my opinion, be compromised.

At the same time, I believe the evidence will support my contention that the steel quota bill is also necessary legislation. But it should stand on its own merits and be dealt with on those merits.

The moderate steel quota bill we are considering today has been called protectionist by administration spokesmen. Members of the Cabinet who testified Wednesday said protectionist measures would interfere with world trade and invite retaliatory measures harmful to free, competitive trade.

Curiously, on that same day, the same administration agreed to sell supersonic jet aircraft to Peru. Technically, it was agreed that Peru may purchase them in the United States. However, the administration told Peru if it bought these supersonic planes from the United Kindom, or from France, it would be necessary to halt our economic aid to Peru. In effect then, we use our economic aid program to compel Peru to "buy American" while at the same day this same administration opposes efforts to protect the small American producer competing against below-cost offshore goods. Evidently we prefer to use Government power to protect the producer of military equipment but deny help to all others. So now the question is who are the real protectionists?

Just to show you also a little bit of the lack of preparation which was done by the Cabinet members in appearing before this committee, I call attention to the record on page 88 of the transcript in which I asked them at that time, these Cabinet members, about how many—who was the biggest exporter of steel, and they said Japan.

I said dollarwise, who has a favorable balance in regard to Japan and how much, and Secretary Trowbridge said:

We have in 1967 a trade surplus in total trade with Japan of an estimated $400 million.

Now from their own Department I have obtained today the actual figures to show instead of there being an actual trade balance in favor of Japan of $400 million, the actual truth is instead of having a $400 million surplus as said by Secretary Trowbridge, the truth is that in 1967, through the first 8 months, we have an unfavorable balance of $203.3 million, and although it appears that the deficit may not be quite as much as the $599 million last year, because imports at the end of the year are generally higher, so it can be anticipated that it will be substantially more than the $203 million which is presently estimated.

I call this to the attention of the committee, just to demonstrate not just alone does the administration have two sets of standards in regard to military equipment and material for other people, but also to show that they are wholly lacking in their facts when they come before the Finance Committee.

The CHAIRMAN. May I say along that line that we will conclude our scheduled witnesses tomorrow, but I believe it would be appropriate before we finally vote on this matter to invite the members of the Cabinet to come back and testify on each one of these bills that they are most concerned about, and that those Senators who are particularly concerned about the matter also have rejoinder so the record is complete. The press seems to put those who speak for the administration on page 1 and those who speak for American suffering industries back on page B–25, or some such thing as that. I think we will invite the the television and the other news media to be present if they are so inclined, so that the American people might hear both sides of the argument and judge for themselves.

We will now hear from Mr. John P. Roche, president of the American Iron & Steel Institute.

Mr. Roche, we are happy to welcome you and your associates to this committee. I regret to say your industry does not have a great investment in Louisiana, but we can always live in hopes that one of these days we will have closer ties with your industry. I know there are members on this committee who are favored with the good fortune of having a good proportion of the American iron and steel industry of this Nation.

Senator BENNETT. May I say that if Louisiana had hung on to the territory that was acquired in the whole Louisiana Purchase you would control much of the Middle Western steel industry. You gave it away too fast.

The CHAIRMAN. We didn't give it away, we just didn't have much to say about it.

Senator BENNETT. Mr. Chairman, I believe that S. 2537, the steel import bill which I have had the honor to cosponsor with 35 of my fellow Senators, is a moderate and reasonable approach for meeting a clear and pressing need.

The amount of steel exports from the United States has been dropping significantly, while imports have seen a sharp rise. It is vital for the health of our domestic industry that this imbalance be corrected.

This bill will greatly benefit our Utah steel industry, principally Geneva Steel, which has been injured by the shipment of steel from Japan to the west coast.

The bill would limit imports in any year to a fixed percentage of recent consumption.

STATEMENT OF JOHN P. ROCHE, PRESIDENT, AMERICAN IRON & STEEL INSTITUTE; ACCOMPANIED BY JAMES F. COLLINS, VICE PRESIDENT, AMERICAN IRON & STEEL INSTITUTE; THOMAS F. SHANNON OF COLLINS, SHANNON & RELL; AND LLOYD N. CUTLER, OF WILMER, CUTLER & PICKERING

Mr. ROCHE. Mr. Chairman, I just want to say to you that we are delighted to have an opportunity to appear before your committee, and I, too, hope in the not too distant future that we will have a substantial facility in your State because you and I have discussed this several times before.

I have with me, Mr. Chairman, today, Mr. James F. Collins on my left, vice president of the Steel Institute, and Messrs. Shannon and Cutler on my right, counsel. I want to submit for the record an exhaustive study of the steel import problem dated October 1967 and also a statement by Mr. William G. Stewart, president of Cyclops Co. on behalf of the Tool and Stainless Steel Committee dated as of today.

(The statement referred to appears at p. 840. The study referred to was made a part of the official files of the committee.)

Mr. ROCHE. My name is John P. Roche. I am president of the American Iron & Steel Institute, a nonprofit trade association. The institute's members include 70 companies, both large and small, having operations in 37 States. Together they produce 95 percent of all the steel made in the United States and, in all their operations, employ about 750,000 people. I appear today in support of S. 2537, introduced by Senators Hartke, Dirksen, and others, on October 16, 1967, which sets import quotas on pig iron and steel mill products.

I recognize that this committee and its staff are generally aware of the rapid growth of steel mill product imports into the United States over the last decade.

The CHAIRMAN. I interrupt just long enough to say I have been looking at this study you put out here. I quoted from it earlier in the hearings. I know quite a bit of what you have in here is accurate because a lot of it was initially generated by our own committee staff. We have been studying this for quite a long time. You know about the work we have done on this subject and we have a study we expect to publish soon on this subject. A great deal of your source materials is material that this committee staff has been working on.

Mr. ROCHE. I am aware of this, Senator, and we were happy to cooperate in furnishing some material as requested by Dr. Weidenhammer in the course of his investigation.

Consequently, I do not plan to deal at length with these facts or their consequences. It may be useful, however, to preface my comments with a brief recital of the salient considerations which underlie the need for the bill now before this committee.

During the last decade, foreign steel producers have taken over an increasingly large share of the U.S. market, having reached 10.8

million tons in 1966. Up until the end of 1958, the United States was a major net exporter of steel; now it has become the world's largest net importer. Steel imports during 1966 made up about 11 percent of the steel consumed domestically and so far this year they have taken an even larger share of the domestic market.

The CHAIRMAN. What percent did you say they have taken?

Mr. ROCHE. It was 11 percent in 1966, Senator, and currently it is running slightly above that percentage in the year 1967.

The CHAIRMAN. What would the net be, in other words, if you net our imports over exports?

Mr. ROCHE. The net tonnage?

The CHAIRMAN. In other words, if—you surely have some exports of steel and steel products. I am just trying to get the net.

Mr. ROCHE. Last year exports were about 1¼ million tons, Senator, as compared with the 10 million, 10.8 million tons of imports.

This year we estimate that the exports will be approximately the same. It might be a little bit lower than they were last year.

The CHAIRMAN. All right.

Mr. ROCHE. Steel imports last year were nearly 3½ times as great as they were in 1961, and nearly 10 times as great as in 1957—10 years ago.

This change in the pattern of imports and exports over the last decade has adversely affected the shipments of American producers by more than 13 million tons. If steel imports were allowed to increase at the annual average rate of growth of 27.7 percent experienced over the past 5 years (1962–66), they would amout to over 36 million tons by 1971.

While the import penetration of the U.S. market varies by product or region, there is no important product line or market area which is immune to imports. The installation of large-scale and ultramodern equipment by European and Japanese producers (at times with U.S. help) has enabled them to compete with similar equipment in this country and to ship large quantities of virtually every type of steel into the U.S. market. Cheap water transportation permits them to invade not only coastal markets but also the industrial heartland of the United States. Although the highest market penetration by imports is in the West and Southwest, in recent years, the greatest increase has occurred in the Midwest, the largest of our markets for steel. Among products, the largest growth has been in such highly sophisticated items as sheets. Small steel producers with limited product lines are particularly vulnerable to imports of sophisticated types of steel.

The basic forces which have brought these developments about are (1) the availability of substantial unused steel producing capacity elsewhere in the world and the policies of certain foreign countries with respect to this capacity, (2) labor costs in other countries which are far less than those in the United States, (3) the resulting prices of some steel products in world markets at levels below the domestic prices of many foreign producers, and (4) the measures taken by other governments to protect and strengthen their own steel industries and to encourage exports. It has been estimated that steelmaking capacity abroad now exceeds demand by more than 55 million tons. Countries which formerly relied on imports for their steel requirements have tended more and more to develop their own steel industries

and to protect them against imported steel. Home markets of some long-established steel producers have grown less rapidly than expected. These producers have, therefore, taken increasingly to invading the markets of other producers—especially that of the United States.

Foreign producers are assisted in these activities by the fact that their hourly employment costs are far below those of the United States. In spite of the higher percentage increases in hourly employment costs of steel industries abroad, hourly cost differences are so great that the gaps have been growing. As an example, Japanese hourly employment costs, which in 1952 were $1.97 below those in the United States, by 1957 were $2.68 below ours, and by 1966 $3.53 below ours. In the modern Japanese and European steel plants, labor productivity is close to that of the United States. As a result, differences in unit labor costs are now on the order of $25 per ton to the advantage of Western Europe and $40 per ton to the advantage of Japan. The policies of their governments also assist foreign producers in their efforts to increase exports. These policies endeavor to protect home markets against imports and to encourage exports by a variety of devices, both financial and otherwise.

The CHAIRMAN. Can you give me what you estimate their average wage to be in their steel mills and what you estimate to be the average wage in the steel mills of our country?

Mr. ROCHE. Talking about the Japanese, we would talk about $1.15 as was mentioned earlier today, and in the United States it is running in the area of $4.80.

The CHAIRMAN. All right.

Mr. ROCHE. The adverse effects of these conditions appear in a number of ways. Steel imports now are a deficit factor in our balance of trade to the extent of close to $1 billion per year. They have reduced employment opportunities in the American steel industry by about 80,000 jobs. And they have contributed to the unfavorable financial condition of the industry, which ranks near the bottom, in terms of returns on investment, among manufacturing industries in the United States. A continuation of recent trends will mean that these conditions will get substantially worse. The expansion plans of foreign producers indicate that they expect to increase their penetration of the U.S. market. The Japanese, in fact, are projecting a capacity of 110 million tons of raw steel by 1975, of which they have earmarked only 70 to 80 million tons for domestic use. Economic factors both here and abroad suggest that the cost advantages now enjoyed by foreign producers will not diminish significantly. Nor is there any indication that other governments will relax their efforts to assist their steel industries at home and to promote exports.

These developments were entirely unforeseen shortly after the World War II period when the United States was forging its present international trade policy. In fact, the most comprehensive postwar study of free world resources made by this Government—the report of the President's Materials Policy Commission, published in June 1952, entitled "Resources for Freedom," predicted that, by 1975, the balance of the free world, far from being a major exporter of steel to the United States, would require 10 million tons of U.S. exports to meet their own needs. Among other things, the possibility that Japan

would soon become a major producer and exporter of low cost steel to the entire world was utterly unforeseen.

Serious as the effects of a continuing rise in imports would be to the American industry and its employees, the most dangerous consequences would be to the national security. The development of new steels and steelmaking processes and the construction of new steelmaking facilities are expensive and time consuming. Direct defense purchases of steel in the type of war in which we are engaged in Southeast Asia are too large in variety and too small in quantity to support these activities. Revitalizing a steel industry weakened by adverse economic factors is a long, tough job, as the British and Western Europeans are discovering. Under more generalized wartime conditions, it would be nearly impossible to accomplish. A first-class power with global responsibilities cannot afford to rely for any important part of its needs on overseas sources of steel thousands of miles away. There is the constant danger that those sources may be cut off at a critical moment. But perhaps of even greater importance is the certainty that growing dependence on imported steel will deprive the domestic industry of the resources it must have to expand continually its technical knowledge and implement that knowledge with the productive capabilities essential to our natonal strength. If our technology does not continue to advance in the future, the years of inadequate development which would result under these circumstances could not be overcome by crash programs, no matter how much money would be devoted to them.

The importance of steel to national security cannot be measured by the tons used directly in military equipment and construction. Steel shipments for these uses are a minor fraction of the steel produced in this or any other advanced economy. The kind of military establishment required by our national interest can be supported only by a healthy and growing national economy with a very broad industrial base. Such a base is dependent on steel. There are no practical substitutes available for the steel components of military hardware, and that hardware is produced with equipment made largely of steel and transported by means of facilities dependent on steel.

As the report of the President's Materials Policy Commission stated:

> The Nation must maintain a strong and expanding economy with a large and diversified materials base that can be tapped for war production, with special attention to providing prime essentials such as steel, electricity, petroleum, and aluminum whose expansion takes considerable time and whose production sets the pace not only for economic growth, but also for production in wartime.

Let me turn now to possible remedies for this difficult situation. It has been suggested by some that the problems would be solved if the American steel industry were to increase its technological advantage over the industries of other countries. This is unrealistic. Steel technology is international and improvements in processes and equipment, wherever they arise, become available to all important producers throughout the world in a very short time. Furthermore, the cost of building and installing new facilities abroad is far below the cost in the United States, due largely to differences in wages. Consequently, at least in the short run, research and development activities and heavy capital expenditures in the United States will not alone

guarantee substantial improvement in the competitive position of the domestic steel industry. Essential as improvements in products and processes are to the future of this Nation's steel industry and regardless of the speed with which they are made, they will not solve the import problem quickly. In fact, to overcome the advantage in unit labor costs now enjoyed by the Japanese without reducing hourly employment costs, the domestic industry would have to cut its labor requirements from the present 13 man-hours per ton of shipments to an incredible 4 man-hours per ton. This would require an immediate increase in output per man-hour of 225 percent. The technology now available or in process of development could not possibly effect such an improvement even if the fantastic sums of money required to apply it throughout the domestic industry were suddenly available.

Because of this large labor cost advantage per ton of output, even after adjustment for differences in productivity, and because of the support and protection given by many foreign governments to their steel industries, the import problem cannot practically be met in the short run by producers in the United States, either by alining their prices on those of imports in the U.S. market or by exporting steel at prices equal to or below prevailing world prices.

These courses of action would lead to a rapid deterioration of the price level in the United States across the entire range of products and in all regional markets, since imports now include all the products used here in substantial quantities and penetrate all the major steel consuming regions. Import prices are now so low that alinement on them by the domestic industry on a broad scale would lead to serious financial distress. The average difference between domestic and imported steel prices is more than twice the per ton income before taxes of the U.S. producers.

Present Federal statutes intended to prevent imports from reaching intolerable proportions through unfair trade practices are ineffectual under existing conditions of world steel trade. Many of the laws apply only to situations which can be shown to have arisen because of tariff concessions, but the rise of steel imports does not result primarily from tariff differences. The international antidumping code agreed on in conjunction with the Kennedy round would further weaken the already inadequate antidumping statute. There is, therefore, no likelihood of sufficient help from existing laws.

A new approach is clearly needed. And it is needed promptly. We simply must provide conditions of trade in the United States which will enable the domestic industry to continue its expenditures for research, development, and plant improvement. This requires prompt action to arrest the growing penetration of the U.S. market by foreign steel imports.

Those charged with the responsibility for investment of capital on behalf of steel company investors must conclude whether future investment in steelmaking facilities in this country is an avenue in which the necessary or available capital can successfully earn its keep, or whether such capital must seek its reward in other ways or in other places. This sense of direction depends in large measure on national policy determination as to whether this country's economy and its national security can be successfully safeguarded by further reliance upon an expanding quantity of steel from foreign sources.

If there were some basis for believing that under these circumstances the steel imports would not move up to 20 or 35 percent of the market, or even higher—if there were some basis for believing that under these circumstances the steel industry could possibly hope to continue its current effort to achieve technological advantage—which is costing it about $2.25 billion per year—if there were some basis for believing that even with the best of new technologies it would be possible to overcome in the reasonably near future the tremendous disparity in levels of unemployment costs which the U.S. steel industry suffers in comparison with the Europeans and particularly with the Japanese—if there were sound basis for believing that current laws could be applied or enforced so as to be of material help in this situation, then I can assure you, members of this committee, that the leaders of the steel industry of America would not be before you today. They have been supporters of free trade in the past. They have modified the view only to the limited extent they believe necessary to assure a strong and technologically up-to-date steel industry as the indispensable base for the Nation's economic and military strength.

Senator Hartke's bill is a moderate and realistic approach to the problem of relief from steadily increasing imports. It limits imports in any year to a fixed percentage of recent consumption. That percentage is the ratio of imports to domestic consumption during the base period 1964–66, and this comes out to 9.6 percent. Recent consumption is the average consumption of steel in the United States during the 3 years preceding each quota year. Thus recent consumption will move up or down with the U.S. market, giving foreign producers a chance to compete for a share in our growth. Within the overall quota are further limitations by product and by country of origin to percentage shares of total imports achieved during the base period. Category limitations are of particular importance to companies with a limited product line.

These limitations will be established by agreements negotiated by the President with supplying nations. Imports from any nation which does not enter such an agreement will be restricted to a percentage of recent consumption equal to the percentage of consumption supplied by that nation during the longer base period 1959–66.

The quota program will be administered by the Secretary of Commerce, who will be empowered to remedy any local injury caused by a shift in geographic import patterns. The Secretary is also directed to review the program after quotas have been in effect for 5 years, and recommend to Congress the continuation, modification, or termination of quota relief.

To those who suggest that there is no reason to fear because the foreign supply is about as large as it is going to get, we say that there is no reason why they should be concerned about a quota based upon recent history of import levels.

To those who would say that a quota would destroy the incentive of the steel industry to modernize itself, may we point out that not only does interindustry and intraindustry competition already provide a strong incentive, but there will also be a strong incentive for domestic steelmakers to continue improving themselves so that they may have a better chance of recapturing some of the substantial market which foreign steelmakers could still enjoy under the quota bill which we

are supporting. But in addition a quota approach can provide a foundation market which can help to justify the heavy investment which is required.

To those who would say we have not been hurt badly enough yet, may we say that the time for the patient to have medical attention is before the point of no return has been reached. We should not wait until the steel industry has been severely injured, for when this occurs then it will be late indeed to consider a rebuilding. Vast rebuilding would be slow and costly, and meanwhile not only would much have been lost from the standpoint of the steel industry and its employees, but much risk would have arisen both to the national economy and national security.

To those who would say that notwithstanding all of this, we must try to retain free trade concepts inviolate, we say show us any significant steel nation in the world which either opens its own market freely to competitors of other nations or does not materially infringe free trade concepts by the assistance which it gives its own steelmakers in order to help them sell abroad.

Mr. Chairman and members of the committee, it is our point of view that enlightened national interest demands that this Nation limit steel imports now. We believe that the best method is the quota approach embodied in Senate bill 2537 introduced by Senator Hartke.

The CHAIRMAN. Mr. Roche, we had testimony earlier today to the effect that it would be a very good thing for Louisiana if Japan shipped a lot more steel into this country—it would help us sell a lot more soybeans and rice to Japan. We do produce soybeans and rice.

I asked a question in connection with that and frankly I do not think the witness could give me the answer that I was looking for and keep his job with his association. Maybe you could.

If we are looking down the line trying to say, "Now where do we go with our trade policy?"

What would you suggest as an answer on the overall problem? When we will have competitors whom we have helped to put in a business, who can produce electronics, produce steel products, can produce automobiles, can produce textiles, and a great number of products that are some of America's prized industries at a price below the American price, what sort of trade policy do you think we should be tending toward? In other words, what should we be exporting and what should we be importing and how?

Mr. ROCHE. Well, Senator, I am a little far afield in terms of what the overall Government policy might be as to outside the steel industry, but it is our general feeling that the original concept of free trade has much in its favor except that as we try to trade in steel around the world we feel and know that there is no such thing as free trade in the theoretical sense that the economists talk about it and that some of the administration people would try to persuade us is actually going on.

We know that we cannot ship steel around the world, but even more important than this, I think if you are asking in terms of what should our policy be, I think the primary policy has to be the strength of the United States of America, and as the leader of the free world, we cannot let any policy in which we engage endanger our ability to handle our own situation at home, and we feel that the steel industry, as being vitally important to the national security, has reached a point in terms

of imports where we have to draw the line, and we feel that we have drawn the line in a favorable fashion in terms of the national interest.

It is not as if we are closing the door. On the contrary, the world steel industry will still be able to bring a substantial quantity of steel into this market and grow as we grow, and I think in terms of what the national policy has to be, we have to protect our jobs, we have to protect our industries, and what I mean by protection is not just put up, as has been suggested earlier here today, a big wall around the United States and have no trade at all. I think that we are making a slight modification in the overall approach to free trade on the basis that enlightened self-interest demands that our industries be made strong and that we not adversely affect our standard of living, and I think it we keep this in mind, a strong America, and a high standard of living for the employees of our industries, then we reach a point we think we have reached in the steel industry, which is what we are talking about here today.

The CHAIRMAN. We are not talking about going into manufacturing something that the other fellow, be it France, Great Britain, or Japan can produce more cheaply and have historically sold. We are not talking about that.

Mr. ROCHE. We are not talking about that.

The CHAIRMAN. That is their market and they can keep it, and they are welcome to it.

Mr. ROCHE. That is right.

The CHAIRMAN. What we are talking about, as I see it, is what should our national policy be with regard to our major industries that are threatened by low-cost foreign competition in their own market.

Mr. ROCHE. Right.

The CHAIRMAN. We are not talking about preserving a share of the market outside of the United States, we are just talking about their position in our own market.

Now, can you give me some examples of other nations that have permitted their historic proud industries to be put completely out of business by foreign competition?

Mr. ROCHE. I not only cannot show you this, Senator, because it just does not exist, but as we travel around the world, and I had an experience just recently of visiting a country which is attempting to develop a steel industry, and I raised the question on what percentage of steel they were permitting to come into their home market and the answer was, "If we can furnish it here, we don't permit any steel to come in at all." And when I raised the question that I thought this was not consistent with the overall approach of the administration in the United States, they just looked at me as if I were out of my mind, their point being this: "We are trying to develop a steel industry here, and why should we permit others to come in from the outside and uproot what we are trying to carry forward."

Now, in this country, it seems to me, and this was a developing nation that we would identify within this term of developing nation, that we are a strong nation, we are the leader of the world, and we want to continue to be strong or we will not be the leader, and I think what we are talking about here is that free trade has a tremendous amount of merit, and we will extend ourselves as far as we can, but to extend ourselves beyond the point where we are working in our own

best interests identified with our basic industries, that identify themselves with our national defense, is not enlightened policy.

The CHAIRMAN. It seems to me that our trade policy has been sold on the basis that this was something to improve American living standards. It was to help Americans live better. It was not to bring a general leveling of living standards toward the impoverished areas of the world, but it was going to help us all to live better.

Mr. ROCHE. Right.

The CHAIRMAN. It seems to me we should explore all those possibilities where it can be a good deal for both——

Mr. ROCHE. Right.

The CHAIRMAN (continuing). Before we accept an answer that it is a bad deal for us.

Now, I asked this question of a previous witness: Which industries is the other fellow going to permit us to keep if we leave him the decision? My thought would be if he had the decision he would let us keep those rice and soybean matters where the wage rate is about $1.25 an hour, and he would take those where our wage rates run $5 to $7 an hour or better——

Mr. ROCHE. Yes.

The CHAIRMAN (continuing). That is where he would make the most money.

Mr. ROCHE. Right.

The CHAIRMAN. But if we are making the decision, it would seem to me we would preserve for our workers those jobs where they have a large amount of capital investment in machinery available to them so they can be very productive and have a very high standard of living. Why anybody would want it the other way around, I cannot understand. Other producers would not do it if they had the decision and why should we? Do you agree?

Mr. ROCHE. I agree.

The CHAIRMAN. So far as I am concerned, if we lose a few jobs in the ricefield and gain some in the steel mills, that would be perfectly all right.

Mr. ROCHE. Yes.

The CHAIRMAN. But, naturally the idea is to continue to expand trade. We are helping the other fellow get what he needs, are we not? We are helping to get the raw materials he needs and just about everything else he needs to produce for his own market and to compete with us in the world market.

Mr. ROCHE. Right.

Senator, I make this additional observation: That if I were a steel producer in Japan or a steel producer in Western Europe, and the doors were wide open into this greatest of all markets here in the United States, I would keep moving as much material in here as I possibly could, and I would take advantage of every opportunity that was mine, and for us to believe that either the Japanese or the Western Europeans or any other steel producer in the world is going to voluntarily decide that this is enough in terms of taking a share of this market, I think is just being foolhardy.

We are the ones who opened the door in the first instance, and we are the ones who are going to have to decide that we have reached a peril point and that it cannot go beyond this point. We are not reversing our policy. We are just drawing a halt in terms of what is reasonable

discretion under the circumstances, and as far as we are concerned in steel we have reached that point now, and that is why we are here today.

The CHAIRMAN. Yes.

It seems that there is a large overcapacity problem in steel, especially in Western Europe and Japan. Do you believe that a world conference among steel-producing countries would be fruitful in convincing our friends in Europe and Japan to modify their steel production to demand and to observe some basic fairness in steel trade?

Mr. ROCHE. Well, it is interesting you should ask me that question after the comment that I have made, where I think we are talking in the same general area.

I do not know whether the question presupposes that this would be a Government-sponsored international steel meeting. If this is the purpose behind it, then certainly some good might come from it. But as far as there being an international agreement among steel producing nations to limit their participation in this market on a voluntary basis, I do not think we should be any more hopeful that it will come from such a conference than it would come voluntarily from them as they look at the market today. This is just the way I feel about such an international conference. Except as it would be sponsored by Government, of course the private industry in the United States could not participate in such a conference if it were designed to limiting the amount of steel that would come into this market. This would be bordering in the area of control of markets and establishment of markets in which we cannot engage.

Now, I just cannot believe that the problem that we are talking about here today is going to be resolved by an international conference.

The CHAIRMAN. We have had some experience in some of these areas, based on the testimony of the textile witnesses in trying to get some agreement with regard to Japanese textiles. I guess you heard that testimony.

Mr. ROCHE. Yes, I did; some of it.

The CHAIRMAN. I assume you could expect Japanese in the steel industry to act somewhat as the Japanese react in the textile industry and perhaps you could expect Europeans to react similarly. I should think they would be unwilling to agree to leave the American industry any segment of its market unless they were convinced that the Congress and the Executive are going to bar their products in the event that they did not agree to it, so it seems to me that you would need something like you are asking for here.

Mr. ROCHE. Right.

The CHAIRMAN. If you are going to negotiate at all because if they do not think anything is going to happen, I should think they would just continue to take a "No" position.

Mr. ROCHE. I am sure they would.

The CHAIRMAN. If you were in that position you would probably tell them that.

Mr. ROCHE. I would do exactly what they are doing.

The CHAIRMAN. Thank you.

Senator Bennett?

Senator BENNETT. I have no questions.

Senator HARTKE. I want to thank you for your kind words about the bill. I want to call attention to this third annual report of an Italian

concern which indicates taking action in these fields is certainly not anything that is being neglected by any other organizations, and I take from their introductory statement, this part of it. It said:

> In 1966 the situation in the rural iron and steel industry which has been in evidence for some years became more acute.

And then I want to skip on down to this part. It said:

> In order to overcome these difficulties the High Authority—

Which is the ECSC—the European Coal and Steel Community—

> the High Authority and the governments concerned are studying corrective measures. However, it should be stressed that some governments—

And it is not referring to the United States—

> have already taken steps to support their own iron and steel industries especially with financial help.

I do not know of any financial help that the American Government has given to the iron and steel industry of the United States.

> This policy which is continually spreading around the world signifies the realization of the importance of the iron and steel industry to a country with the economy and of the needs for its orderly development in the general interest.

I think it important for us to recognize that, as the chairman has so admirably put forth, we can very quickly become a Nation in which we will be the producers of a lot of food for the world. Of course, we will not have any money left after that is over, or any people in industry.

The CHAIRMAN. Judging by experience most of it will be given away.

Senator HARTKE. I thought that Senator Talmadge had a very appropriate reference. He thought maybe the State Department ought to—they have a desk, you know, an African desk, an Eastern European desk; he said what we need in the State Department was an American desk. That is all the questions I have.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. I have no questions but I want to commend Mr. Roche for a very outstanding statement and it is greatly appreciated.

The CHAIRMAN. Senator Dirksen?

Senator DIRKSEN. I would like to address my question, and maybe, Mr. Roche, you may have some information on it. I understand that with foreign aid money we are now building a steel mill in Turkey; are you familiar with that project?

Mr. ROCHE. Yes; I am, Senator.

Senator DIRKSEN. I understand we have committed something over $100 million.

Mr. ROCHE. A substantial amount of money.

Senator DIRKSEN. Our people's money, our taxpayers' money. I understand that is a million-ton capacity plant. Do you know?

Mr. ROCHE. I do not know the exact capacity.

Senator DIRKSEN. Well, at any rate, Mr. Chairman, we have a great way of aggravating ourselves. We help build these plants so that they can send steel over here and then inspire these headaches as we try to deal with this outside competition in an equitable way.

May I therefore respectfully suggest that the staff find out from the AID program, let us say over a period of years, how much money has been committed for the purpose of building steel plants abroad,

where there is already excess capacity, and as you point out, they can only use a limited amount of this capacity and the rest of it is targeted for us.

The CHAIRMAN. I think I can give you some answer to that if you want, Senator. This report of our committee staff that will be coming out I believe points out that AID has financed steel plants in 30 foreign countries.

Senator DIRKSEN. Will they be carefully itemized as to capacity?

The CHAIRMAN. I am sure it will be.

Senator HARTKE. I think the present commitment is in approximately $1 billion at the present time—$1 billion at the present time. It is not million, it is billion.

Senator DIRKSEN. So we compete with ourselves.

The CHAIRMAN. Since 1945, I am told this Nation has spent $2.1 billion building steel mills in foreign countries.

Senator DIRKSEN. I want to see it on one page.

The CHAIRMAN. We will get it for you on one page.

(The information referred to follows:)

U.S. GOVERNMENT AND INTERNATIONAL AGENCY FINANCIAL ASSISTANCE TO FOREIGN STEEL INDUSTRIES

Summary by countries

Country	Millions	Country	Millions
Argentina	$111.26	Pakistan	$0.63
Australia	13.35	Peru	42.00
ustria	56.42	Philippines	67.76
Belgium	20.44	Portugal	.85
Brazil	140.01	Republic of China	.70
Canada	5.70	Spain	126.31
Chile	113.87	Turkey	164.05
Colombia	33.95	United Kingdom	27.22
France	83.74	Uruguay	2.58
Germany	10.00	Venezuela	13.64
India	211.92	Yugoslavia	87.92
Italy	220.48	European Coal and Steel Community	100.00
Jamaica	.50		
Japan	294.09	Latin American Iron and Steel Institute	.05
Korea	2.23		
Liberia	45.63		
Mexico	153.38	Total	2,165.62
Netherlands	[illegible]		

Summary by year

Year:	Millions	Year—Continued	Millions
1947	$28.29	1958	$120.58
1948	7.20	1959	195.72
1949	203.87	1960	123.66
1950	45.70	1961	175.25
1951	66.07	1962	114.48
1952	42.11	1963	110.21
1953	11.20	1964	192.91
1954	111.59	1965	71.74
1955	88.32	1966	89.19
1956	221.76		
1957	145.79	Total	2,165.62

Clerk's Note: These tables show the amounts which 30 countries received from the U.S. Government and international agencies to build steelmaking facilities. The total amount was $2.2 billion, and another $1 billion was provided by the USSR to finance the construction of steel mills in 5 additional countries. These

grants and loans do not include counterpart funds which may have been used to finance local currency expenditures. The capacity thus financed was 6 million tons in new countries which had never produced steel before 1947. Even larger increases in capacities had been financed by these amounts in countries which had produced steel before 1947.

Senator DIRKSEN. Now, I would like to ask Mr. Roche, to what extent does a guaranteed wage in other countries exercise a kind of a thrust to sending products abroad. Obviously with a guaranteed wage and the domestic demand fails somewhat, you cannot pile it all in warehouses, there are not that many warehouses, and it has got to be sold, and they have to retrieve some of their money, because there is not that much inventory money in this world.

Mr. ROCHE. Senator, we are very much aware that factors other than what we normally identify as an approach to the operation of a steel company enter into the decisionmaking of foreign steel producers quite foreign to our own, may I say, in terms of our economic approach.

The factor of—and I presume you used the term "guaranteed wage" to mean assurance to people that once employed, they will never be let go, this undoubtedly has some effect in the overall amount of steel that gets on the world market. The exact percentage of it we are not sure of, except that we do know that this factor, the need for exchange, almost a disinterest in the amount of profit earned, Government interest in continued operation of the business, however uneconomic, these are all factors that enter into continued production without regard to a local market, and effect the amount of steel that gets into world trade and has to be sold at distressed prices.

Senator DIRKSEN. There is one other factor on which you made no comment, and that is depreciation. I recall when the late Senator Kefauver was still alive we had a half-dozen presidents of steel companies before the Subcommittee on Monopoly at that time; if I recall the testimony correctly, one of them indicated what depreciation policies were really doing with respect to modernization of the industry, because under existing law they had accumulated about 15 million in the depreciation account with respect to a rolling mill. They found, however, that to build a modern rolling mill cost $75 million.

Mr. ROCHE. Right.

Senator DIRKSEN. Query: Where do you get the other $60 million to replace your old mill?

Mr. ROCHE. The query is well put, Senator, and as you know, since the hearing to which you have referred there has been some improvement in the depreciation schedules permitted in this country but there still can be considerable improvement in this area, and the question of where the money comes from, it comes out of profits generally and this is one of the problems of this domestic steel industry. The comments were made earlier here today showing that from 1962 through 1965 and 1966 there had been a growth, and some of the percentage factors in that recital were rather significant. The truth of the matter is in the 1961, 1962 period, the steel industry was in a recession in this country, so that was a very low point from which to start these percentage statistics. And another factor being, as you yourself pointed out, Mr. Chairman, this was during a period of tremendous growth in the overall economy of this country where the domestic steel industry's

participation has not been nearly as great as so many other manufacturing industries.

Senator DIRKSEN. Do you have information on depreciation policies abroad?

Mr. ROCHE. We have some material on this, Senator, and I will be happy to furnish it to you and to the committee.

Senator DIRKSEN. Will you insert it?

Mr. ROCHE. I will be happy to provide that for the record.

(The material referred to was received by the committee and made a part of the official files.)

Senator DIRKSEN. For the moment, Mr. Chairman, that is all.

The CHAIRMAN. Any further questions?

Well, thank you very much for a very fine statement.

Mr. ROCHE. Thank you, Mr. Chairman, and thank you, members of the committee.

(The statement of Mr. Stewart, referred to at the start of Mr. Roche's statement, follows:)

STATEMENT ON BEHALF OF THE TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE, SUBMITTED BY W. G. STEWART, PRESIDENT, THE CYCLOPS CORP., PITTSBURGH, PA.

My name is William G. Stewart and I am President of the Cyclops Corporation located in Pittsburgh, Pennsylvania. I am submitting this statement on behalf of the Tool and Stainless Steel Industry Committee, of which my company is a member. The Committee is an association of eighteen producers of tool and stainless steels. A list of our membership is submitted with this statement.

We appear today in support of Senator Hartke's steel quota bill, S. 2537. We fully endorse the statement made by John P. Roche for the American Iron and Steel Institute, and submit these additional remarks to emphasise the intensity of the import problem as felt by the specialty steel industry.

1. WHAT MAKES SPECIALTY STEEL DIFFERENT

Specialty steel manufacturers in the United States turn out about one percent of the total tonnage production of the domestic steel industry. Until recently the tool and stainless steel producers have therefore been regarded as a small segment of the basic carbon steel industry. There is now a growing awareness, however, that specialty steel producers, because of the nature of their products and market, make up an industry which is distinct, although not apart, from the basic carbon steel industry.

Specialty steel is different from basic carbon steel because of its sophistication. The addition of substantial amounts of chromium, nickel, and occasionally other alloying elements such as molybdenum, titanium, and columbium make stainless steels highly resistant to rust, corrosion, and heat. Tungsten, vanadium, molybdenum, cobalt, and other elements are added to tool steels for toughness and strength under high-temperature high-stress operations.

These chemical and physical properties which distinguish specialty from carbon steels, however, make specialty steels more difficult and expensive to produce. For example, AISI type 302 stainless steel, a common stainless steel contains approximately 18 percent chromium and 9 percent nickel. The chromium in a ton of this steel costs $90 and the nickel costs $153. The alloy material alone in an ingot ton of type 302 stainless steel costs more than most carbon steel ingots sell for. Another substantial difference between carbon and specialty steel is the greater number of man hours required to produce, finish, and ship a ton of this product in the specialty industry. Finishing operations on specialty steels require many more man hours than in the basic carbon industry. Labor content in man hours per ton of specialty steel averages 6.5 times that of carbon steel, and reaches 10 to 20 times the carbon average in some instances. Automation cannot reduce these man hours to the extent possible in the basic carbon industry, partly because of the highly specialized nature of the product and partly because stainless and tool steels are produced in such small quantities that the expense of automation is very difficult to justify.

The complex metallurgy of specialty steels increases research and development costs, the chemical and physical properties of the product increase production costs, and the sophisticated applications of these high performance steels increase marketing costs. These higher costs mean higher prices, which average seven times the prices of comparable carbon steels. The United States Bureau of Labor Statistics showed type 302 cold rolled stainless steel sheet selling in May 1967 at $1,074 per ton compared to carbon steel cold rolled sheets at $142 per ton. Tool steels sell anywhere from $1,000 to $7,000 per ton and higher, while carbon products commonly are offered anywhere from $120 to $200 per ton.

These higher values make our specialty steel market particularly attractive to foreign manufacturers, since transportation costs constitute a relatively small percentage of sales prices.

Specialty steel tends to be produced in small quantities on a custom basis. Many specialty producers are small companies, entirely dependent on their production of tool or stainless steel.

2. SPECIALTY STEEL IS VITAL TO NATIONAL SECURITY AND DEFENSE

Tool and stainless steels are critically important to the national defense effort. I would point out, as an example, of this, the fact that present requirements for steel set by BDSA and the Department of Defense under the Defense Production Act of 1950 amount to six percent of the production of the basic carbon steel industry and fourteen percent of the production of the stainless steel industry.

Many strategic products depend on specialty steels, including missile and rocket frames and parts, airplant structures, atomic reactors, and jet engine turbine blades. Ball bearings, oil refining equipment, drills, taps, reamers, and other cutting tools and dies are themselves made out of high performance products of our industry. The Apollo spacecraft is fashioned from stainless steel. So is the anti-spike innersole in the combat boot now being worn in Viet Nam, and drive shafts for the Army's helicopters. The inner support members of other aircraft are of a special ultra-high strength steel developed by the tool steel industry. The Atomic Energy Commission has ordered a "mobile military nuclear power plant" which must be made completely of stainless steel to be used as a source of power by combat forces. The research and development capability of the specialty steel industry has produced many metallurgical breakthroughs which have made great contributions to the national defense and security. This industry pioneered in vacuum melting techniques for the production of nickel and cobalt alloys that allow jet engine blades to operate and maintain their strength and toughness at white heat. We also developed the utterly reliable bearing and gear steels for the safe operation of helicopters, hydrofoils, and power generating equipment.

This is only a small list of examples where the defense of the United States is directly dependent upon specialty steels. In addition, of course, all industry and in fact our entire economy depends on tool and stainless steel manufacturers for high performance under stress and close tolerances to do jobs which other steels or materials cannot. The Department of Defense thinks in terms of "material systems." The properties demanded of materials used in missiles and rockets, for example, are such that only tailor-made steel or vacuum melting specialty materials can satisfy requirements.

The extremely high costs of this research and development are incurred by the specialty steel industry with the expectation that new products will mean new growth and new methods and new economies. The routine sales of staple specialty steel products must underwrite these costs. But these routine sales are far below what they should be, because imports of specialty steel have cut deeply into the United States market for standard tool and stainless steels, and are increasing at a rate which indicates that the growth potential of the domesic industry is being drained off. Loss of growth potential can only reduce the enthusiasm of the specialty steel industry for continued expansion of this vital research and development function.

3. IMPORTS OF SPECIALTY STEELS

In 1966 stainless steel imports were 137,000 tons, compared with 80,000 tons in 1964 and only 8,000 in 1959. The share of apparent domestic consumption claimed by imports has jumped from 1 percent in 1959 to 13.5 percent in 1966. During the first eight months of 1967 imports of stainless steel are running at an annual rate of 150,000 tons, or 16.6 percent of domestic consumption.

This increase is dramatically illustrated by the recent history of imports of stainless steel cold rolled sheet. Imports of this staple product have jumped from 8,000 tons in 1962 to 47,000 tons in 1966, with a corresponding increase in market penetration from 6 to 20 percent. Imports in 1967 will exceed 55,000 tons, and will occupy 25 percent of our domestic market for this product.

Tool steel imports have increased during the past three years from 3,600 tons in 1962 to 17,600 tons in 1966. So far in 1967 foreign tool steels have taken 16.4 percent of apparent domestic consumption. Imports of high speed tool steel bars rose from 748 tons in 1962 to 3,572 tons in 1966, and will reach 6,000 tons by the end of 1967.

Meanwhile United States exports have not kept pace. Our balance of trade in specialty steel was favorable up to 1965 when exports exceeded imports by $13.3 million. In 1966, however, imports exceeded exports by $11.6 million, and the projections for 1967 are more pessimistic.

In the fact of recent production cutbacks and the import growth trend it appears certain that both the share of the domestic marke occupied by imports and our unfavorable trade balance will increase in 1967.

Foreign specialty steels are no better than domestic products, and foreign suppliers do not provide the same customer service that the domestic mills offer. The chief factor that has made the United States market so vulnerable to foreign steel is price. Several elements combine to permit the foreign producer to offer a substantially lower price. For example, specialty steel imports tend to be concentrated in the less sophisticated, standard sizes and grades. Thus a foreign producer can realize substantial volume economies in production for export. This same concentration simplifies the distribution of imported steel in the United States, permitting additional economies in marketing operations. In fact, distribution of imported steel mill products is usually handled for the foreign producer by a jobber or service center in the United States.

The principal price factor, however, is the wide differential in labor content between foreign and domestic specialty steel. The American steelworker averages $4.63 per hour, including fringe benefits. His Japanese counterpart makes less than one-quarter of that amount. The best information available indicates that it takes an industry average of 97 man hours to produce a ton of cold rolled stainless steel sheet. Thus a Japanese steel mill making stainless steel sheet starts out with an advantage in labor cost alone of over $336.60 per ton. An analysis of 43 recent shipments of cold rolled stainless steel sheet into the United States shows the median difference between the landed duty-paid price of the imported material and the price of identical domestic material delivered at the same spot as $213 per ton, or 21 percent of the United States selling price.

This price differential has encouraged imported specialty steel to penetrate United States markets at a faster and faster rate each year. From 1962 to 1966 we saw an unprecedented expansion in the United States economy. Shipments of stainless steel mill products increased at an average rate of 10 percent per year during that time, but imports increased an average of 51 percent each year. Imports established themselves in the growth potential in the bread-and-butter products during periods of economic growth, but when the boom slows they cannot be driven out. During the first eight months of 1967 shipments of tool and stainless steel lagged behind 1966 by six percent, yet imports of specialty steel increased eighteen percent over the comparable 1966 period.

The rate of increase of imports of foreign specialty steel presents a problem of national significance which transcends the immediate difficulties of the domestic tool and stainless steel producers. I have discussed the strategic importance of the domestic specialty steel industry. A healthy, growing industry can expand with the economy, maintaining its special technical skills, its reservoir of highly trained labor, and its research and development capability. The health of our specialty steel industry depends upon its access to growing markets for standard products: the stainless steel sheet, and the high speed tool steel bars. These markets are being seriously penetrated by increasing imports of steel from Europe and Japan. As its present markets are invaded, the industry's growth potential declines, producing a directly proportional decline in its ability to maintain and expand its labor skills, technical abilities and research capacity. These are assets which cannot be stockpiled, nor can they swiftly be built up in time of need. As they atrophy in the domestic industry, we must become more and more dependent upon imported techniques, skills, and metallurgy. As emphasized before, such a situation cannot be tolerated in an industry of such overriding strategic importance.

4. INDUSTRY FAVORS QUOTA APPROACH

The Tool and Stainless Steel Industry Committee strongly recommends quotas as a solution to this problem. We feel that the existing statutory provisions for relief from import injury are totally inadequate. We urge the Congress to take action. We support the Hartke Steel Quota Bill as a moderate and realistic measure designed to assure the health and expansion of our industry while permitting foreign manufacturers an opportunity to continue to compete with us, not only for the share of our market which they now have, but also for a fair share of the expansion in that market. Failing this relief, we see nothing to stop imports of specialty steels from seizing 20 or 30 percent or more of our domestic market. We see this an an unqualified disaster for our industry and for this nation.

MEMBERSHIP OF THE TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE

Allegheny Ludlum Steel Corp., Pittsburgh, Pa.
Armco Steel Corp., Armco Division, Middletown, Ohio.
Bethlehem Steel Corp., Bethlehem, Pa.
Braeburn Alloy Steel Division, Continental Copper Steel Industries, Inc., Braeburn, Pa.
Carpenter Steel Co., Reading, Pa.
Crucible Steel Co., Pittsburgh, Pa.
Eastern Stainless Steel Corp., Baltimore, Md.
Firth Sterling, Inc., Pittsburgh, Pa.
Jessop Steel Co., Washington, Pa.
Jones & Laughlin Steel Corp., Stainless and Strip Division, Detroit, Mich.
Joslyn Stainless Steels, Chicago, Ill.
Latrobe Steel Co., Latrobe, Pa.
McLouth Steel Corp., Detroit, Mich.
Republic Steel Corp., Massillon, Ohio.
Simonds Steel Division, Wallace-Murray Corp., Lockport, N.Y.
Universal-Cyclops Specialty Steel Division, Pittsburgh, Pa.
Vasco Metals Corp., Latrobe, Pa.
Washington Steel Corp., Washington, Pa.

The CHAIRMAN. We will hear from Mr. Graubard and Mr. Moskovitz, which is a law firm—that firm is counsel for the American Institute for Imported Steel.

STATEMENT OF SEYMOUR GRAUBARD, COUNSEL, AMERICAN INSTITUTE FOR IMPORTED STEEL, INC.

Mr. GRAUBARD. Mr. Chairman, my name is Seymour Graubard, of the law firm of Graubard & Moskovitz. We are counsel to the American Institute for Imported Steel on whose behalf I wish to thank the committee for its courtesy in granting us time to present this testimony.

With me today are two vice presidents of the institute, Mr. Victor Schick and Mr. Leslie Stork. They are seated in the audience and we shall remain available to answer any questions that the members of the committee may put to us.

Last year the institute made a grant to the Michigan State University to have studies conducted in regard to the international steel trade. These studies were made by the university under the supervision of Prof. Walter Adams in association with Prof. Joel B. Dirlam, of the University of Rhode Island.

Certain of their studies form the basis of the testimony which they will offer to the committee today. Their analyses and their conclusions are entirely their own, and with that understood I present to the committee Professors Adams and Dirlam.

Senator HARTKE. Just a minute, Mr. Chairman.
Are you leaving us?
Mr. GRAUBARD. I am going to remain here, sir.
Senator HARTKE. I thought you were going to go ahead.
Mr. GRAUBARD. I will remain up here or in the audience.
Senator HARTKE. What was that you said again? I was not furnished with a copy of how you said these people were selected.
Mr. GRAUBARD. Last year, the American Institute for Imported Steel made a grant to Michigan State University for the purpose of conducting studies in international trade. We have called upon Professors Adams and Dirlam to produce certain of their conclusions to the members of this committee. I may add, sir, that not until yesterday did I or any member of or person associated with the institute see their work.
Senator HARTKE. What was the amount of the grant?
Mr. GRAUBARD. I recall $10,000.
Senator HARTKE. $10,000. Was that paid to these people who are testifying today?
Mr. GRAUBARD. No, sir. It was paid to the university.
Senator HARTKE. And they in turn paid it to these individuals.
Mr. GRAUBARD. I think you will have to ask them what arrangements were made by the university with them.
Senator HARTKE. Let me ask you, you said certain parts. Where is the rest of their documentation?
Mr. GRAUBARD. Sir, you will have to ask that of them. They produced for this committee what they had available and what they thought pertinent. I am certain if you have any additional data that you would require of them, they would be happy to oblige your request. I shall remain.
The CHAIRMAN. We will be pleased to hear Professor Adams. I am pleased to see you before the Finance Committee. You did some very fine work for us on the Small Business Committee when I was chairman of the Monopoly Subcommittee. I must congratulate the counsel for the American Institute for Imported Steel for their good judgment in getting you to do it. You did some very fine work for us before you moved on to greener pastures and we have not forgotten it.
You may proceed.

STATEMENT OF WALTER ADAMS, PROFESSOR AT MICHIGAN STATE UNIVERSITY, ACCOMPANIED BY JOEL B. DIRLAM, PROFESSOR AT THE UNIVERSITY OF RHODE ISLAND

Mr. ADAMS. Thank you very much, Mr. Chairman. It is always a pleasure to testify before one of your committees. Let me say that this statement is offered on behalf of my colleague, Professor Dirlam, who is at my side, and myself.
Having abandoned its pleas for temporary tariff protection——
Senator HARTKE. Can we have "it" identified; I haven't had an answer to my question I addressed to Mr. Graubard as to how they become involved, the circumstances and the payments and so forth.
The CHAIRMAN. If you will.
Mr. ADAMS. Senator Hartke, the grant was made to Michigan State University. I was appointed director of that study under the grant.

As far as payments are concerned, I can give you an exact statement; I don't want to misrepresent even the slightest detail of that. I think some of the money so far has been expended for graduate assistants, some of the money has been expended on summer research, some of the money has been expended on travel.

Senator HARTKE. Any additional compensation awarded to any one of the two gentlemen here?

Mr. ADAMS. No, sir; it was not.

Mr. DIRLAM. No compensation.

Senator HARTKE. No compensation.

Mr. ADAMS. Yes.

Senator HARTKE. You are regular teaching professors.

Mr. ADAMS. Yes, sir.

Mr. DIRLAM. Yes, sir.

Senator HARTKE. And you took on this additional duty just—why did you take on the additional duty?

Mr. ADAMS. Well, sir, at a land-grant institution like Michigan State, and the same is true at Purdue in your own State, Senator Hartke, we believe in the secular trinity of teaching—research and public service, and it is every professor's responsibility to engage in each of these activities in compliance therewith. The university accepts many grants from private corporations, from the Government, various philanthropic foundations sponsoring research of this sort.

Senator HARTKE. And the same applies to Mr. Dirlam, who comes from the University of Rhode Island.

Mr. DIRLAM. The University of Rhode Island is also a land-grant institution.

Senator HARTKE. And you took this under the land-grant authority of President Lincoln, right?

Mr. ADAMS. Yes.

Mr. DIRLAM. I am not sure——

Senator HARTKE. This great public service, I just want to find out how objective you are.

Mr. DIRLAM. Yes, and the financing of certain graduate studies, master's thesis work is part of I think this same sort of activity.

Senator HARTKE. And you had no prejudice whatsoever in favor of the grantee.

Mr. DIRLAM. None.

Senator HARTKE. The grantor, pardon me.

Mr. ADAMS. Well, sir——

Mr. DIRLAM. This is an element, one of our public service activities.

Senator HARTKE. But it is not a prejudicial report. I want to get this, because I have read it, and I just want to get you on record first, because it is going to be rather shocking——

The CHAIRMAN. Senator, let me say that a witness who comes here to testify on behalf of the Council for the American Institute of Imported Steel, is privileged to be just as prejudiced as any lawyer who ever represented a client, if he wants to be. In other words, if he is a Government employee and representing some agency of the Government where he owes a responsibility to both sides that is a different matter. But prejudice is totally immaterial as far as any witness who testifies.

I made a speech not long ago in which I tried to make West Point obey the law in recruiting football talent. They said I was very prejudiced about the matter because of a situation that existed involving Louisiana State University prior to the time that West Point acquired their coach, and my opening statement was that I was a prejudiced as any lawyer who ever pleaded a case in court. I just wanted the Senate to hear my side of the argument.

As a practical matter, I would say as far as our testimony of the witnesses is concerned, prejudice is totally immaterial. The question is what evidence can he produce to back up his statement.

Mr. ADAMS. Mr. Chairman, let the record show that the grant was made with the specific proviso that no strings be attached in terms of our freedom to make public the findings in any way we saw fit without prior review by the grantor. Let the record show that I, for one, would never accept any grant of any sort from any source unless I retained that basic freedom.

In other words, my opinions, my beliefs are not for sale to anybody.

Mr. DIRLAM. I concur in that, of course.

Mr. ADAMS. If I may proceed, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. ADAMS. Having abandoned its plea for temporary tariff protection, the American steel industry has decided to ask Congress for import quotas on foreign steel. In essence, this demand rests on four principal contentions:

(1) That imports pose a serious threat of unemployment;

(2) That the industry cannot compete against foreign producers who enjoy the advantage of low labor costs;

(3) That it needs higher prices to pay for expansion and modernization; and

(4) That it needs time to install new facilities and new technology in order to face up to foreign competition.

Professor Dirlam and I have examined these contentions, and find them wanting. We also find that the proposed quotas are neither in the public interest, nor the longrun self-interest of the steel industry. Such quotas would be counterproductive in any plan to restore the competitive viability of American steel both in domestic and international markets.

IMPORTS AND DOMESTIC EMPLOYMENT

Now with respect to imports and domestic employment, Mr. Chairman, steel spokesmen claim that 11 million tons of imported steel represents more than 70,000 steelworker jobs alone, and many thousands of additional jobs in supporting industries—all at a time when this Nation is striving to achieve maximum employment. (L.B. Worthington, chairman of AISI, February 8, 1967.) The implication is clear: steel imports reduce steel employment by 70,000-plus jobs, as Mr. Roche pointed out this morning, 80,000.

Aside from the dubious techniques for arriving at this figure, the contention is defective for the following reasons:

(1) Sharply rising imports, between 1959 and 1966, have been associated with significant increases in both domestic production and domestic employment. While imports rose by 6.4 million tons, domes-

tic production increased by 40 million tons, and employment by 47,000 men.

Senator HARTKE. Mr. Chairman, I would like to ask at this time, you have a table here.

Mr. ADAMS. Yes, sir.

Senator HARTKE. Is this the type of objective—the rest of your statement is as objective as this statement here, is that right?

Mr. ADAMS. Senator Hartke, I would prefer to leave that judgment to you after you have heard the rest of the statement.

Senator HARTKE. I will show you how misleading it is and I will show you how prejudiced this statement is. We will go down to your your own statement here. You say it shows an employment increase of 47,000. If you had taken the time to look at your own chart, and you take 1960, 1 year later your original statement upon which you base this outrageous statement, you find out that there were 449,-888 according to your own chart submitted by AISI, right, which shows as of 1966 that there were 446,712, or a net decline in employment in that period, from 1960 clear to your implication of a 47,000 increase in employment there is a decreased employment of 3,178, isn't that true?

Mr. ADAMS. Senator Hartke, may I respectfully urge that you permit us to continue with the statement——

Senator HARTKE. No, I am going to stop you right here, we are going to talk about this statement and how objective this is. You can go ahead. Unless the chairman overrules me I want an explanation of the objectively of that statement.

Mr. ADAMS. Senator Hartke, very respectfully, we tried to choose two dates as objectively as we knew how. The year 1959 was chosen for the very simple reason that that is the date usually given for the beginning of the steel import problem. This was not our choice. This is what the American Iron & Steel Institute and what the steel industry officials have repeatedly cited as the beginning of the steel import problem.

Senator, 1966 was chosen for the very simple reason that it is the lastest year for which we have statistics available. The reason all the other years were included was so as to disclose to you and the members of the committee all the relevant data.

It would have been very easy for us to say look at the year 1959 and 1966 alone. We did not do that. We presented the entire table and we say to you the table speaks for itself. As far as the declines in total employment in the steel industry are concerned, I was not trying to duck your earlier question by any means, Senator Hartke, but I am coming to that later on in the statement.

Senator HARTKE. I understand.

Mr. ADAMS. And I will be specifically responsive to that very question you raised.

Senator HARTKE. Why can't you be responsive right now?

Mr. ADAMS. I think it would destroy the presentation to take it out of context.

The CHAIRMAN. May I just urge in the interests of getting on with the hearing that we let the witness make his statement and after the witness has made his statement then, Senator, you can go ahead and ask questions. We have no rule here that requires us to agree with the statement to permit it to be made.

If the witness makes a statement and you don't agree with it, you can say so, but we have quite a list of witnesses to hear and I would hope that we can abbreviate this by just letting the witness make his statement and then ask any questions you want to ask.

Mr. ADAMS. Thank you, Mr. Chairman.

Senator HARTKE. Mr. Chairman, that is all right with me. If this is the case there is no use of my staying here. I have read the statement and I will come back when he is done. I mean I don't need anybody to read to me, I can read myself.

The CHAIRMAN. Senator, I hadn't read the statement.

Senator HARTKE. I will be back.

The CHAIRMAN. I regret the Senator feels that way about it.

Go ahead.

Mr. ADAMS. Thank you, Mr. Chairman.

(The table referred to follows:)

Year	Steel imports (thousands of net tons)	Domestic steel production (thousands of net tons)	Average number of wage employees
1959	4,396	93,446	399,738
1960	3,359	99,282	449,888
1961	3,163	98,014	405,924
1962	4,100	98,328	402,662
1963	5,446	108,261	405,536
1964	6,440	127,076	434,654
1965	10,383	131,462	458,539
1966	10,753	134,101	446,712

Source: AISI Annual Statistical Report, 1966.

Mr. ADAMS. Point 2. Between 1962 and 1967, while steel imports more than doubled, separation rates in the steel industry have been consistently below the average for durable goods and for manufacturing as a whole. In May 1947, total separations for the steel industry were at the rate of 2.5 per 100, compared to 4.1 for all manufacturing—substantially the same proportions as in 1962.

(3) Total insured unemployment in June 1967 in nine areas identifiable as steel centers (such as Allentown, Bethlehem, Buffalo, Gary-Hammond, and Pittsburgh) shows a sharp decline since 1960—again during a period of rising imports. Thus, while 12 percent of the Youngstown labor force was unemployed in 1960, the rate had dropped to 3.3 percent by February 1965. Again, rising imports cannot be associated with rising unemployment. If anything, the correlation points to the reverse.

(4) The United Steelworkers of America have not been able to furnish us with precise data on unemployment of steel labor. Nor do the published sources indicate that there is more than minimal unemployment at this time. On the contrary, there is some evidence of periodic shortage of steel labor in some production centers, Inland Steel, in September 1966, broke precedent to hire 150 women for floor sweeping and other unskilled jobs, as 1,200 college boys returned to school.

(5) During the post-World War II period, the long-run trend of employment in the steel industry has moved downward, and now I am being responsive to the question Senator Hartke raised earlier.

However, as the following table shows, this is due to an increase in productivity (that is, mechanization and automation) and not to an increase in imports. Employment has tended to decline even though

production has increased, for the simple reason that output per man and output per man-hour have increased substantially, I think the following table shows, Mr. Chairman——

The CHAIRMAN. That is the table on page 3?

Mr. ADAMS. That is the table on page 3; yes, sir.

(The table referred to follows:)

Year	Average number of wage employees	Total hours worked (in thousands)	Raw steel production (thousands of net tons)	Tons per man-hour	Tons per employee
1947	489,138	984,410	84,894	0.086238	173.558
1953	544,325	1,119,305	111,610	.099713	205.042
1957	508,434	986,527	112,715	.114254	221.690
1960	449,000	840,322	99,282	.118147	221.118
1966	446,712	889,190	134,101	.150812	300.195

Mr. ADAMS. As Meyer Bernstein of the United Steel Workers explained to the Congress in 1966:

> Another point to be kept in mind is that as far as employment in the steel industry is concerned, the rate of national industrial activity is much more important than the balance of imports and exports. A prosperous year will increase employment of steelworkers far greater than a surge of imports will reduce such employment. It should be remembered that 1965 was not only the year of highest steel products imports, it was also the year of highest American steel industry production. We achieved this record production with considerably fewer workers than we had in former years of lower production, but this is because of increased productivity.

This is Meyer Bernstein of the Steel Workers Union.

(6) Longrun forecasts show that the demand for steel is bright rather than foreboding. In a study recently published by the Bureau of Business Research of the University of Michigan, G. Doyle Dodge, market analysis specialist for McLouth Steel, predicts that steel production will rise to 206 million tons by 1980, and steel shipments to 162 million tons, compared to 134 million tons and 94 million tons in 1966, respectively. Big Steel also anticipates that the next 10 years are shaping up as a great growth period. Mr. Gott, president of United States Steel, had a similarly rosy view of the future according to American Metal Market "U.S. Steel's Edwin H. Gott Predicts 'Fantastic' Future Market Potential." The industry, it seems, reserves its gloom-and-doom predictions only for the Congress—in support of demands for protective, anticompetitive legislation.

In short, our examination of the evidence indicates that steel employment may be related to progressive automation, to geographic shifts in demand—which may cause local labor shortages as well as surpluses—and to the abandonment of antiquated plants. It cannot be scientifically correlated with steel imports. (See appendix on imports and domestic employment, attached to this statement.)

Now coming to the very crucial question of imports and foreign labor costs, which the chairman has raised throughout today's session, according to L. B. Worthington, then president of United States Steel, and chairman of AISI:

> Whether we are talking about steel or many other industry, American production costs are inescapably related to the American standard of living; and are based upon the world's highest wage structure. . . . And when you remember that, in the economy as a whole, employment costs represent more than 75 percent of all production costs, you realize why—in industries like steel—foreign-made products can often undersell ours in world markets.

This is Mr. Worthington.

The clear implication is that no one can reasonably expect the American steel industry to hold its own against such odds, unless, of course, Congress were to grant it special protection.

This argument, Mr. Chairman, is defective on a number of counts.

(1) As Fortune points out this month:

Some of the arguments that steel is making for protection—notably the fact that foreign wages are lower than U.S. wages—can be disposed of by any first-year economics student.

What Fortune is driving at is this: Labor cost per ton of steel is found by relating output per man-hour of a steelworker to the wage he is paid. If his productivity is high—because he works with efficient machines, knowledgeable management, et cetera—his wage rate can be high—yet the labor cost per ton of steel, and this is the crucial figure, can be low. By contrast, labor costs per ton of steel in India will be higher than in the United States—even though Indian steelworkers are lower paid, if their productivity is low—because management lacks the know-how and the technical equipment to produce steel as efficiently as their American counterparts.

"Historically," as the AISI itself recognizes—background statement, February 1967—"the U.S. steel industry was able to compete in the world market and pay the highest wages because it enjoyed technical superiority." Obviously, then, the industry's current problem is not the high wages it pays, but its apparent loss of technical superiority.

(2) Wages in the U.S. steel industry have always been far higher than foreign steel wages, and the differential in recent years has narrowed rather than widened. Since 1957, that is, before steel imports became a matter of concern, steel wages have risen much faster in the Common Market, the United Kingdom, and Japan than in the United States. Indeed, if the year 1957 is given an index of 100, total labor costs per hour in 1966 stood at 145 for the United States; 177 for Germany, 206 for France, 169 for Belgium, 154 for Luxembourg, 219 for Italy, 221 for Holland, 156 for the United Kingdom, and 175 for Japan (in 1965). If, as the Chase Manhattan Bank's technical director for the metals industries reports in the August issue of "33" magazine, current productivity trends favor the United States, there seems to be little justification for curbing steel imports at this time because of allegedly lower labor costs abroad.

(3) Finally, labor costs are only one component in the total cost of producing steel. Thus, a country can have higher labor costs than its competitors in world markets, and still have lower total costs. It can still be "cost competitive." This indeed is the position of the American steel industry when it competes with imported steel in the U.S. market. According to Richard S. Thorn, associate professor of economics at the University of Pittsburgh, from where he has observed the steel industry for a good many years, lower labor productivity, higher material costs, and ocean freight charges result in a higher average cost for foreign steel at U.S. ports than for U.S. steel at the mill. In other words, American steel products are already, on the average, "cost competitive" with imports. I will cite only one figure, a rough transportation cost of $14 per ton. That is not an exaggerated figure. I think the range would be somewhere from $11 to $25 per ton, that is the range. I think a typical rate would be $14 per ton, that is

built-in protectionism of that amount per ton of steel brought into the United States.

In sum, higher labor costs hardly constitute adequate justification for the imposition of new barriers to steel imports. The existence of the sizable transportation costs alone, which foreign producers must bear when selling in the U.S. market, would seem to be protection enough for an industry which claims to be efficient and progressive.

IMPORTS AND PRICING

While the steel industry asks the Government to protect it from foreign competition, it insists on the right to engage in persistent price escalation. The logic of its argument runs somewhat as follows: The only way to compete effectively against steel imports is through modernization of facilities and technological innovation. This requires sizable capital funds which can be obtained only through higher profits and higher prices. By increasing prices therefore the industry enhances its potential for effective competition. But such price increases are possible only, if the Government excludes foreign competition either by protective tariffs, or preferably by quotas.

Roger Blough, in defending the industry's 1962 abortive price increase, clearly articulated this philosophy:

> While the price rise might have appeared to intensify our competitive difficulties with cheaper foreign steel, that steel is usually priced in relation to ours anyway, and in the long run, the increase would have improved our competitive strength. By using the added profits produced by the price increase to help obtain the most modern and efficient tools of production, we could hope eventually to narrow the gap between American and foreign steel prices.

In other words, Mr. Chairman, Mr. Blough proposed to meet the competition of cheaper foreign steel by raising prices.

This pricing policy, we submit, which seems almost deliberately designed to encourage imports requires additional comment:

(1) U.S. steel producers, as you well know, do not compete among themselves in terms of price. It is simply not the custom of the industry. Instead of price competition, the industry follows a regime of strict price leadership and followership. It is a classic, textbook oligopoly.

(2) Since World War II, steel prices have been a consistent inflationary force in the American economy. Between 1947 and 1951, according to the Council of Economic Advisers:

> The average increase in the price of basic steel products was nine percent per year, twice the average increase of all wholesale prices. The unique behavior of steel prices was most pronounced in the mid-1950's. While the wholesale price index was falling an average of 0.9 percent annually from 1951 to 1955, the price index for steel was rising an average of 4.8 percent per year. From 1955 to 1958, steel prices were increasing 7.1 percent annually or almost three times as fast as wholesale prices generally. No other major sector shows a similar record. (Report to the President on Steel Prices, April 1965, pp. 8–9.)

(3) As the tables attached to this statement show in detail, and Mr. Chairman, I should like to invite your attention and the attention of the committee especially to appendix III, which is simply chronological detailing of the price increases initiated by the steel industry since the 10th of April 1962.

This persistent upward trend in steel prices continued to the 1960's. Thus, since 1962, the domestic producers have been engaged in an

unbroken round of "selective" price hikes. In a kind of ritual dance, the leadership in initiating increases shifts from one company to another—"chacun à son tour," each taking his turn—while each product successively gets its turn at a price boost. To cite only two examples: an important item like hot rolled sheets, imported in large volume, was increased by $4 a ton in 1963, and $3 a ton in 1966. Carbon bars were raised $5 a ton in 1963, and bar prices went up again in 1967.

The CHAIRMAN. Maybe you get into this a little later on, and if so, I would certainly respect your desire to take it in order, but I expect that both you and the previous witness have thus far not mentioned the level of profits in the industry. Is that covered in your statement?

Mr. ADAMS. Mr. Chairman, I think one factor in the profit performance of the industry will be pointed out in part four of our statement, and if I am not fully responsive to your question, please raise it again.

The CHAIRMAN. Very good.

Mr. ADAMS. (4) This pattern of constant escalation of steel prices has had both domestic and international consequences. In the domestic market, steel has lost ground not only to imports, but also to substitute materials. The reason is not hard to find. Following an almost uncontrollable suicidal instinct, steel was pricing itself out of the market.

On a comparative basis—

According to the Council of Economic Advisers—

the price of basic steel products rose substantially relative to the prices of competing materials. Relative to plastics, the price of basic steel products was over twice as high in 1963 as it was in 1947. The prices of cement, glass, plastic materials, and aluminum all rose substantially less than steel.

I invite your attention, Senator, to the table on page 9, which again speaks for itself.

(The table referred to follows:)

PRICE CHANGES IN STEEL AND COMPETITIVE MATERIALS, 1947 TO 1964

Material	Percentage change in wholesale price, index, 1947 to 1964	Price in 1964 relative to steel (percent)[1]
Steel mill products	113.3	100.0
Cement	65.9	77.8
Glass, flat	46.1	68.5
Plastic materials	−5.6	44.3
Aluminum ingots	70.8	80.1

[1] Based on 1964 prices on a 1947 base.

Source: Council of Economic Advisers, "Report to the President on Steel Prices," April 1965, p. 29.

The Council concludes:

With this sharp deterioration in the relative price position of steel products vis-a-vis other materials, failure of iron and steel production to keep pace with the growth of the economy is not surprising. (Report to the President on steel prices, p. 28.)

(5) Constant price escalation has, of course, inevitably encouraged increased importation of steel. Fortune, for example, finds it curious that—

While complaining about the low costs and the low prices of foreign steel, leading steel companies have chosen this particular time, of all times, to raise their own domestic prices when their mills are still working at well under full capacity. Put all this together—

And this is still Fortune for 1967 speaking—

put all this together and one is reminded of that old British march to which Cornwallis surrendered at Yorktown, called "The World Turned Upside Down."

If imports have caused concern for the domestic steel industry, Mr. Chairman, this is clearly a case of self-inflicted injury.

The only explanation we have been able to find for this insensitive (and apparently irrational) pricing policy vis-a-vis imports is the possibility that the domestic steel industry is applying a squeeze against independent, nonintegrated American steel fabricators. Thus, during the recent wire-rod dumping case, an independent fabricator testified that United States Steel charged him $6 per ton more for the raw material than the price at which he had to sell the finished product in competition with his giant supplier-competitor. In other words, the major steel companies may be trying to maintain their vertical oligopoly by maintaining or raising prices of basic steel—despite import competition—while lowering or maintaining prices of finished steel products. But this strategy of squeezing the independent fabricators can work for any prolonged period of time only if the major companies succeed in their drive to shut off imports—which have become the lifeline of the independents.

Mr. Chairman, here again respectfully I invite the committee's attention to the fact that when we talk of protecting American industry, we ought to include the small, independent, nonintegrated fabricator of steel. He is a businessman, too. He is an American, too, and he has to compete and compete successfully, if he wants to survive. I think if you shut off imports by any device whatsoever, I think this segment of the steel industry will be seriously disadvantaged.

The CHAIRMAN. Incidentally, it might be well for you, in the event that the committee does vote for a quota on steel imports, to suggest some amendment that might be appropriate to assure them that they won't be caught in the price squeeze, because that might be very important to them.

Mr. ADAMS. It is an excellent suggestion, Mr. Chairman, because I think this is a matter of vital concern and when you talk about American industry being destroyed, I think we might well see a serious deterioration and a rapid deterioration in the population of the small mills, necessary population which is vitally dependent on the marginal competition that imported steel offers to the domestic steel companies.

Senator DIRKSEN. Dr. Adams, can I ask a question?

Mr. ADAMS. Yes, Senator Dirksen.

Senator DIRKSEN. You mentioned one case of a fabricator.

Mr. ADAMS. Yes, sir.

Senator DIRKSEN. That involved rods?

Mr. ADAMS. Yes, it did.

Senator DIRKSEN. Were there other cases that have come to your attention?

Mr. ADAMS. Yes, sir; I think this practice is periodically employed by the steel industry and has been documented in a variety, in a succession of reports, I should say, by the Federal Trade Commission, in various court cases, and so on. I don't want to respond from memory but I would be delighted to submit additional information on this point to the committee, if you so desire.

Senator DIRKSEN. If you recall, were the cases that were involved bars, and also, plates?

Mr. ADAMS. There is that possibility. Again I want to make sure that I respond accurately, therefore I don't want to trust my memory.

Senator DIRKSEN. If you know, you can supply it for the record.

(Additional information was received by the committee, and made a part of the official files.)

Mr. ADAMS. Thank you, Senator.

(6) Constant price escalation has also had international consequences. American steel has, by its own actions, effectively priced itself out of world markets. In the process, it has seriously damaged the U.S. balance-of-payments position. Whereas in 1955 the United States exported four times as much steel as it imported, by 1966 it imported five times as much tonnage as it exported. In a dozen years, the industry's trade balance was radically reversed.

This phenomenon is largely explained by the divergence between the price policy of domestic and foreign producers. Whereas U.S. steel companies maintain or raise their prices in the face of competition, foreign producers follow a much more flexible price policy designed to get additional business. Thus, economists for the National Bureau of Economic Research, after surveying four main product groups—iron and steel, nonferrous metals, and nonelectric machinery—found that the largest changes in international competitiveness "has taken place in iron and steel." Between 1953 and 1963, there was an almost 20 percent decline in the price competitiveness of American steel relative to European producers. Although a reversal of the trend began to appear in 1964, the price posture of U.S. steel in world markets "remained considerably worse than in 1953 and 1957." (American Economic Review, May 1967, p. 486.)

In short, all available evidence indicates that steel is losing domestic markets to substitute materials and imports, and world markets to foreign producers, because it has chosen not to be price-competitive. By a strange inversion of logical decisionmaking, it has decided to meet competition by raising prices—and doing so persistently.

IMPORTS AND TECHNOLOGICAL INNOVATION

Mr. Chairman, I think this will respond in part to your query about profits.

Historically, according to AISI, American steel was able to compete in world markets because of its technological superiority. In the face of increased competition, says L. B. Worthington:

> We've been doing everything in the book to make this industry as efficient and as competitive as it is possible for any industry to be. To enhance our position of technological leadership * * * we are now spending considerably in excess of $100 million a year on research. * * * During the past 10 years American steel companies have spent more than $13 billion on new, more efficient production facilities—designed not only to reduce costs, but to establish new high standards of quality for our competition to shoot at.

That is Mr. Worthington. Presumably, all this is not enough. The industry wants more time to establish its technological superiority, and wants governmental protection through import quotas in the meantime.

Unfortunately, the facts do not support Mr. Worthington's claims:

(1) A 1966 report of the National Science Foundation shows that

the steel industry ranks shockingly low in its R. & D. expenditures—that report has been cited earlier today. In 1964, it spent only 60 cents of every $100 in sales revenue on R. & D., compared to a $1.90 average for all manufacturing industry. Moreover, all the industries producing steel substitutes—aluminum, cement, plastics, and glass—invested more in R. & D. than did the steel industry, sometimes five or six times as much.

(2) The major steel inventions in recent years—including the basic oxygen furnace, continuous casting, and vacuum degassing—came from abroad. They were not made by the American steel giants.

(3) In innovation, as in invention, the American steel giants seem to lag, not lead. The oxygen furnace, for example, the only major technological breakthrough in basic steelmaking since the turn of the century, and those are almost precisely the words of the former president of Jones & Laughlin, the oxygen furnace was invented and innovated by the miniscule Austrian steel industry in 1950. It was first installed in the United States in 1954 by a small company—McLouth—and not adopted by the steel giants until more than a decade later: United States Steel in December 1963, Bethlehem in 1964, and Republic in 1965. Despite the fact that this new process entailed operating cost savings of roughly $5 per ton, as well as capital cost savings of $20 to $25 per ton of installed capacity, the U.S. steel industry during the 1950's—and here this is the phrase of Business Week "bought 40 million tons of the wrong kind of capacity, the open hearth furnace."

As Fortune recently observed, much of this capacity "was obsolete when it was built" and the industry, by installing it, "prepared itself for dying." The words are Fortune's, not ours.

Or, as Forbes put it more mildly, "In the 1950's, the steel industry poured hundreds of millions of dollars into equipment that was already obsolete technologically—open hearth furnaces." (Mar. 1, 1967, p. 23.)

The technological blunder may have cost the industry close to $1 billion in "white elephant" facilities.

(4) Even defenders of the American steel giants concede that it was the cold winds of competition rather the sheltered atmosphere of protectionism which ultimately forced the domestic majors, belatedly, to follow the path of technological progress. Thus, Prof. Alan McAdams, of Cornell, admits that:

> By 1962 it appears that the costs to United States producers for not innovating were significantly raised by actual and threatened competition from both domestic and foreign oxygen steelmakers. (Quarterly Journal of Economics, August 1967.)

Competition, not protection, broke down the industry's habitual lethargy and resistance to change.

(5) Technological progress is less costly than AISI would have us suppose. Small American steel fabricators, utilizing the latest technology, and demanding neither special protection nor special favors from the Federal Government, have begun to produce their own basic steel—at costs far below the prices charged by the domestic steel giants. According to the Wall Street Journal—October 5, 1967:

> Roblin Steel Corporation, North Tonawanda, New York, has more than tripled its earnings since 1964, when it installed an electric furnace and a continuous casting machine and quit buying semifinished steel from major producers.

Florida Steel Corporation, Tampa, started making its own steel in 1958; since then, it has increased annual net income nearly 200 percent while achieving steel production of more than 300,000 tons a year. Such plants turn out high-quality steel for less than $65 a ton, at least $20 a ton cheaper than current prices for bars of semifinished steel called billets.

That is from the Wall Street Journal.

In sum, experience makes it abundantly clear that an industry like steel, dominated by slothful giants, will lead neither in technological invention nor innovation. To give such an industry artificial protection from competition would merely serve to reinforce its natural disposition to lead the quite life and to let well enough alone.

In conclusion, Mr. Chairman, the steel industry's plea for higher tariffs and/or restrictive import quotas is a dramatic confession of its own failure. It is an effort to make its customers pay for lagging efficiency and technological retardation. It is an attempt to saddle the public with the bill for its past mistakes. Governmental protectionism is neither in the public interest nor the industry's self-interest.

The sad performance of the American steel industry in the last two decades will not be improved by stifling the one force militating toward reform—the discipline of the competitive market place. Competition alone compels efficient operations. Competition is a unique stimulant to technological progress. If competition did not exist, it would have to be invented.

Thank you very much.

The CHAIRMAN. Thank you for your statement, Dr. Adams. You have made a very impressive statement.

May I say I find myself reminded somewhat of a judge that hears first one side and wants to render an immediate verdict for that side and then hears the other side and wants to render a directed verdict for that side.

You have testified here on other occasions.

Mr. ADAMS. Yes, sir.

The CHAIRMAN. In support of the smaller, independent, nonintegrated steel concerns, and you are well aware of their views and problems generally, are you not?

Mr. ADAMS. Yes, sir; I would say so.

The CHAIRMAN. Is it your judgment that these small nonintegrated producers of steel and steel products would not favor this quota program?

Mr. ADAMS. I would assume they would be opposed to it. But I can't speak for them because I haven't checked with them.

The CHAIRMAN. Well now, you know when we finally succeeded in getting a mandatory oil import program, those quotas were handled in such a way that the small refineries are actually in better shape to compete with the big ones than they were before the program; you are aware of that.

Mr. ADAMS. Yes, sir.

The CHAIRMAN. They were given an oil quota even though they didn't have any overseas oil and that quota helped them to be more competitive with the big concerns that were bringing the oil in from overseas.

Nevertheless, there are some problems that really concern me. For example, Mr. Roche told us that unit labor costs are $25 per ton lower

in Western Europe and $40 per ton lower in Japan, than in the United States. That takes into account the productivity.

As I understand it when you are speaking of labor costs per ton you are taking productivity into account.

Mr. ADAMS. That is true, sir.

The CHAIRMAN. Would that accord with your information or would that conflict with it: that the labor component, for example, is $40 per ton lower in Japan than here?

Mr. ADAMS. Mr. Chairman, I dont' know where Mr. Roche got those figures from. There is no citation of any evidence. Indeed, I think traditionally, and I think Senator Dirksen may recall the hearings before the Kefauver committee when this question came up. To my knowledge the steel companies, the domestic steel companies have never divulged their cost figures. Indeed, there was a big fight about subpenas, as I recall, to make them produce those figures. So I cannot honestly respond as to their basis of scientific information or acknowledge as to what their exact costs are.

I would have to say that on the basis of what I heard this afternoon, Mr. Roche's statement would have to be considered nothing more than an allegation until it is supported by hard evidence.

The CHAIRMAN. Well, may I say, Dr. Adams, that the committee staff has discussed this information with the BLS, the American and the British steel industries, and that these figures are probably accurately indicating the differentials in labor costs per ton in the large modern foreign steel mills and the average labor costs of our steel industry.

Naturally, it is the large, modern foreign mills which export to this country. I am advised that neither the BLS nor the committee staff can disprove the differentials in labor costs quoted by the American Iron and Steel Institute.

I don't know whether we can make that information available to you or not, it might involve trade secrets, but if it is not, I would be happy to make it available to you.

Mr. DIRLAM. May I say I understand the Bureau of Labor Statistics has been making a comparision of foreign and U.S. labor costs. But those data had not yet been published.

The CHAIRMAN. Yes.

Mr. DIRLAM. And for that reason we were unable to make a completely detailed survey.

The CHAIRMAN. Well, our staff has been working closely with them and we are planning to publish our report so I believe what we have we can make available to you and see if you can agree with it or not.

Mr. ADAMS. Fine, Senator. Once that data are published we would be delighted to comment on it if you so choose.

The CHAIRMAN. It would seem to me that if the Japanese have a $40-per-ton unit labor cost advantage, but a $14 ocean freight item, that would be a $26 advantage at the point where the steel would come ashore.

Mr. DIRLAM. Yes; I think the $14-a-ton figure referred to freight from Europe to the east coast and there are certain additional costs which would be incurred by Japanese producers which would also diminish that differential, such as the cost of coke, and capital costs, that is costs of raising funds for plants which are somewhat higher

in Japan than they are here, so those differences would also have to be taken account of.

The CHAIRMAN. Yes.

Senator DIRKSEN. Mr. Chairman, may I say just for the record, Dr. Adams is quite right. We went into that matter of costs and then the committee, the subcommittee, by majority vote started to get those costs by a subpena and that subpena, of course, had to be considered by the full Judiciary Committee.

The full committee refused on the ground that is was a trade secret, but to make sure that the allusion here was correct, it was the entire cost, not merely the labor cost.

Mr. ADAMS. To the great disappointment of the academic profession which was anxiously awaiting that additional information on which it could have based some of its calculations.

Senator DIRKSEN. Yes, sir.

The CHAIRMAN. I believe I have one other question.

As I understand it you say the industry's current problem is not the high wages it pays but its apparent loss of technical superiority. Mr. Roche told us that the industry is investing two and a quarter billion dollars to achieve technical advantage. To invest that much, they would, of course, have to have profits, wouldn't they?

Mr. ADAMS. Yes, sir.

The CHAIRMAN. To earn a profit their prices would have to be adjusted to their costs, and when the costs rise, prices would have to rise, if the profit is to be maintained, wouldn't they?

Mr. ADAMS. Well, Senator, the question really is whether prices have to be high enough to cover current costs or whether prices have to be high enough to cover current costs and pay for past mistakes. That really is the argument.

And I think it is fair to point out that the industry is making a valiant effort at this time to correct the mistakes of the past by its technological innovation. I think that should be stated.

The CHAIRMAN. Well, I have gained the impression in years gone by that when you had these rounds of wage increases, the industry would just immediately thereafter announce a price increase that would cover the wage increase and a little something extra to go along with it. Is that your impression about how it used to work in the past?

Mr. ADAMS. I think that is quite correct, Senator, and that is why I have always disagreed with Professor Galbraith when he talked about countervailing power between labor and capital. I have always viewed it as coalescing power, the two sort of ganging up on the consumer.

The CHAIRMAN. That is a good point.

Senator Hartke, may I suggest this, Senator, if you want to ask a great deal of questions of the witness, we will——

Senator HARTKE. I think I can probably dispose of it in one. Have you gentlemen ever testified before; been retained before by importers' groups with regard to steel?

Mr. ADAMS. Yes, sir.

Senator HARTKE. How many times.

Mr. ADAMS. Once; in a wire rod dumping case before the Tariff Commission.

Senator HARTKE. And, you have never appeared before any congressional committees on behalf of them.

Mr. ADAMS. Sir, I have a long-standing rule that I will never appear on anybody's behalf before a congressional committee except on my own behalf, whether that payment would be a dollar or a thousand or a million. I consider the Congress of United States sacrosanct, and I want them to have my poor opinion for the little it might be worth.

Senator HARTKE. Have you ever appeared before the Roosevelt subcommittee?

Mr. ADAMS. Senator Hartke, the record will show that I appeared before the Roosevelt subcommittee under subpena from that committee. I was not paid by anybody for that appearance. I received the customary $16 per diem plus round trip transportation from my home to the committee's offices. That was the total payment I received for that appearance.

Senator HARTKE. Just one antidumping case.

Mr. ADAMS. Beg pardon?

Senator HARTKE. And just one antidumping case.

Mr. ADAMS. Yes, sir.

Mr. DIRLAM. Which one.

Mr. ADAMS. The wire rod antidumping case.

Senator HARTKE. On behalf of the importers.

Mr. ADAMS. Yes, I guess it was exclusively the importers.

Senator HARTKE. I think that is all I have.

Mr. DIRLAM. Excuse me, may I answer your question, Senator? I have testified before congressional committees entirely on my own behalf. I have never been retained by anyone in testifying before a congressional committe. I have testified as an expert witness for the Department of Justice in two bank merger cases.

Mr. ADAMS. Mr. Chairman, may I ask that not only our prepared statement but the six appendixes attached thereto, containing documentation of our presentation also be included in the record.

The CHAIRMAN. Yes, that will be done.

Senator BENNETT. I have no questions.

Senator DIRKSEN. No questions.

The CHAIRMAN. Thank you very much, gentlemen.

Mr. ADAMS. Thank you, Mr. Chairman, and gentlemen of the committee.

The CHAIRMAN. It is always good to hear both sides of an argument.

Mr. ADAMS. Thank you.

(The appendixes referred to follow:)

APPENDIX I

STEEL IMPORTS AND JOBS

1. ESTIMATES OF UNEMPLOYMENT CAUSED BY STEEL IMPORTS

Spokesmen for the American Iron and Steel Institute have testified before a Congressional committee about the loss of jobs which they say have been caused by steel imports. According to the estimate most commonly used, approximately 70,000 to 80,000 jobs are "the equal of" 11 million tons of imported steel. It is noteworthy that the steel representatives are careful to avoid saying that 70,000 to 80,000 persons or over 12% of the labor force have been thrown out of work in the steel industry as a result of imports. What are the facts?

In the first place, the estimate itself seems to have been made on a purely mechanical basis. A simple division of steel shipments in 1966 by employment in the steel industry indicates that 156 tons were shipped for every person employed. Since 11 million tons valued at $1.2 billion were imported in 1966, dividing by average tonnage per employee gives a 70,000 figure. Another procedure would be to determine what proportion of the value of the imports would have been available for wages and salaries, if they had been produced domestically, and then to divide this by the average cost per employee to determine how many persons might have been employed in producing $1.2 billion of steel. In 1966, 37.2 per cent of the revenues of the industry were accounted for by direct employment costs.[1] This would indicate that, of revenue received for the products imported, about $376 million would have been available for employment in the steel industry. This would have paid the direct employment costs of some 40,000 workers.[2]

Still another approach would use input-output analysis, to sum up all the employment that is necessary to deliver $1.2 billion of steel. According to a study of the Bureau of Labor Statistics, based on 1962 data, 88,884 persons were required for every $1 billion of shipments from Primary Iron and Steel Manufacturing. It is possible that this estimate was used by Mr. Roche, although he seems to have been confining his remarks to the steel industry itself. (In this comment, we shall assume that his estimate was intended to refer only to the steel industry.) On its face, the estimate is unsupported, since sales of $1.2 billion could not possibly provide revenue to hire 70–80,000 employees in the steel industry. The input-output study shows that as of 1962, only 48,227 persons would have been employed in the steel industry in producing $1 billion of steel. Since output per man in the steel industry rose by 18% between 1962 and 1965, it seems likely that, in 1966, approximately the same number of employees would have been required to produce $1.2 billion of steel products as produced $1 billion in 1962, especially after taking into account price increases.[3]

Secondly, there is little direct evidence to show that during the period of 1966 there was any substantial unemployment in the steel industry as a result of imports. The unemployment rates among workers in the primary metals industry group reached 7.0 per cent in 1962; it declined steadily to 1.6 per cent in 1966 (a period when imports were rising), and rose slightly to 2.2 per cent in the most recent month for which data are available.[4]

If imports had resulted in the loss of jobs in the steel industry, this would also be reflected in turnover data. Yet the "Blast Furnace, Steel and Rolling Mill Industry" rates for separations have been consistently well below the average for durable manufacturing and manufacturing as a whole, for the period from 1962 to May, 1967. Thus, in May, 1967, total separations for the steel industry were at the rate of 2.5 per 100, compared with 4.1 for all manufacturing; lay-offs were 1.3 compared with 1.2 for all manufacturing. The proportions were not substantially different in 1962.[5]

Another indication of the impact of imports on employment might appear in high rates of unemployment in steel centers. *Total* insured unemployment in June, 1967, in Birmingham, Chicago, Allentown-Bethlehem, Pittsburgh, Canton, Youngstown, Cleveland, Buffalo, and Gary-Hammond, amounted to 65.9 thousand—a decline from the 79.8 thousand in the same areas in May, 1967. In Youngstown, for instance, where the unemployed were 12% of the labor force in 1960, the rate in February, 1965 was 3.3%—a drop achieved in the face of steep rise in imports.[6]

If unemployment among steel workers is being pushed to high levels by imports, the published data have so far failed to register it. On the contrary, there are indications of a shortage of steel labor. During the very period when imports were rising sharply, there was evidence that the steel industry was finding it

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[1] AISI, *Charting Steel's Progress During 1966*, p. 51.

[2] Direct employment cost per worker was $9,418. *Ibid.*

[3] See "Indexes of Output per Man-Hour, Steel Industry, 1947–1965," Bureau of Labor Statistics Report No. 806, June, 1966, Table 1, p. 9.

[4] Bureau of Labor Statistics, "Employment and Earnings—Monthly Report on the Labor Force," July, 1967, Table A–11; Bureau of Labor Statistics, "1964–1965 Statistical Supplement to Monthly Labor Review" (1966), Table I–3. The basis for computing unemployment rates is the industry in which the person was last employed, and the labor force in that industry. Blast furnace and basic steel products account for about 50% of the employment in the primary metals industry group. *Statistical Abstract, 1966*, p. 222.

[5] Bureau of Labor Statistics, "Employment and Earnings—Monthly Report on the Labor Force," July 1967, Table IV: Bureau of Labor Statistics, "1964–1965 Statistical Supplement to the Monthly Labor Review" (1966), Table II–1.

[6] Wall Street Journal, April 14, 1965.

difficult to get workers. The major employers are stressing upgrading and in-service training for their workers in an effort to get the necessary skills. The American Iron and Steel Institute has just prepared a 50-page book in cooperation with Scholastic Magazine, "Opportunities in Steel," in order to attract high school graduates to the steel industry. In September, 1966, Inland Steel broke precedent to hire 150 women for floor sweeping and other unskilled jobs, as 1200 college boys returned to school.[7] The number of lay-offs reported from plant shut-downs in the past 2½ years, as reported in the Wall Street Journal, has been microscopic compared with the total labor force employed in steel.[8]

During the period imports were rising, production in the U.S. steel industry pushed steadily upwards. From 98.3 million tons in 1962, it rose to 109.3 million tons in 1963, to 127.1 million in 1964, 131.5 in 1965 and to 134.1 in 1966. It was during this period that imports were making their most substantial gains. In 1965 and 1966 there were periods of intense shortage of steel, when domestic capacity was insufficient to take care of demand and customers were forced to turn to imports in order to satisfy their needs. During these years, given the configuration of demand, which reflected customers' fears of steel strikes, a quota on imports would not have resulted in more employment of labor in the U.S.; it would have led merely to longer backlogs for domestic firms. Hence, to the extent unemployment has existed in the steel industry in the U.S. since 1962—and the rate, as we have seen, was very low—it can scarcely be attributed to imports.

RISING OUTPUT PER EMPLOYEE REDUCES NEED FOR WORKERS

If the effect of steel imports on employement in the steel industry is to be properly measured, account must be taken of the rising productivity of steel labor, which inevitably reduces the number of employees required for every million tons of steel produced. Thus, from 1962 to 1965, production rose by 33.8 percent, from 98.3 million to 131.5 million tons. Employment in the steel industry increased in the same period by 12 percent. Output rose 3.6 million tons from 1965 to 1966, but employment fell 1.4 percent.

The experience of the largest three steel firms illustrates the point. U.S. Steel, Bethlehem and Republic employed 442,008 men in 1960, and produced 50.9 million tons of steel; in 1966, they employed 391,956 men and produced 64.1 million tons of steel. Their production had risen 26 percent; their employment had *fallen* 7.1 percent.

While it may be conceivable that exclusion of imports during this period would have led to an even greater expansion in domestic steel production, it must be realized that, to offset the drop in the labor required to turn out steel, these firms would have had to produce almost 5 million more tons of steel than they did; that is, they would have had to produce 70 million tons in 1966 (well over half the output for that year), and 37.6 percent more steel than in 1960. In the circumstances prevailing in 1965 and 1966—with backlogs and insufficient capacity—it seems extremely unlikely that these firms, or the industry in general, could have adjusted their output so as to reach the level necessary to avoid a drop in the steel working force.

3. IMPORTS ADDED TO EMPLOYMENT IN U.S. MANUFACTURING

There remain certain other objections to the steel industry's calculations of jobs supposedly lost because of imports. First, the steel imported, if it can be regarded as necessary to supplement inadequate domestic production, *contributed* to jobs in the fabricated metals industry. To the extent these imports were necessary as inputs to domestic manufacturers of wire and wire products, household appliances, automobiles and automobile parts, they helped to create jobs in these industries that used the imports as components for further fabrication. While no precise data are available, we have estimated that imports of $1.2 billion of

[7] Wall Street Journal, September 18, 1966, p. 1, col. 5.
[8] Wall Street Journal, February 5, 1965, p. 1, col. 6; Wall Street Journal, May 20, 1965, p. 1, col. 6; Wall Street Journal, February 17, 1966, p. 32, col. 1; Wall Street Journal, March 21, 1966, p. 4, col. 3.

steel products in 1966 must have required a net addition to employment of about 450,000 workers in or serving industries using the imports.[9]

In conclusion, to attempt to exclude imports on the ground that they cost jobs in the United States is extremely short-sighted. The U.S. is a great exporting nation. We export more than we import. If other countries were to turn against us the same arguments the steel industry is now using to justify excluding competitors, the steel industry itself would be one of the first to suffer. Hundreds of millions of dollars worth of steel are embodied in exports of finished goods. Should foreign steel producers claim that steel or steel-using imports from the U.S. are costing them jobs, our exports would be hurt. And the same arguments could, of course, be applied to other types of exports.

In 1966, the total tonnage of steel exported, in direct and indirect form, including scrap, was 12,284,961; imports, on the same basis, were 13,472,774 tons leaving the industry an unfavorable balance of 1,187,813 tons. In terms of current steel prices, this approximates $220,000,000.[10] To exclude the steel imports would jeopardize not only some 2,026,775 tons of direct steel exports, bringing in $635,-000,000, but the indirect exports of steel, which (including scrap) in 1966 accounted for $10,965 million, making a total of $11.6 billion in 1966. (Total steel and steel-using imports on the same basis accounted for only $6.0 billion in 1966.) Hence, to wipe out a steel deficit of $200 *million*, the U.S. steel industry would risk $11.5 *billion* of U.S. income from foreign trade. Such a program seems suicidal.

U.S. STEEL INDUSTRY EMPLOYMENT, PRODUCTION, AND PRODUCTIVITY, 1957-67[1]

Year	Man-hours per year (millions)	Total employees (thousands)	Raw steel production (million net tons)	Raw steel productions (tons)	
				Per man-hour	Per employee
(1)	(2)	(3)	(4)	(5)	(6)
1957	1,628.3	841.7	107.3	0.066	128
1958	1,324.6	720.9	81.2	.062	112
1959	1,289.9	721.1	87.4	.067	120
1960	1,400.1	751.6	94.7	.067	126
1961	1,291.7	683.9	92.8	.072	[2] 135
1962	1,269.5	672.9	92.7	.073	137
1963	1,276.2	665.3	103.0	.081	155
1964	1,373.4	687.8	119.7	.087	172
1965	1,420.5	733.2	123.3	.087	170
1966	1,430.5	734.8	125.9	.088	[3] 170

[1] Covering the companies reporting to the AISI.
[2] Index: 100.
[3] Index: 126.

Note: Col. (3) includes wage and salaried employees. Col. (4). Total reflects an average of only 94.5 percent of the total production for industry; i.e., the production of companies reporting regularly to AISI.

Source: Col. (2), (3) AISI, "Annual Statistical Report 1966," table 4, p. 11. (Includes salaried employees and wage employees.) Col. (4) ibid., table 3, p. 10.

[9] This estimate is based on the relation between the number of workers employed in Primary Iron and Steel Manufacturing to the total number of workers employed, for every $1 billion of expenditures on final demand of Other Fabricated Metal Products. For each $1 billion of such expenditures, 98,569 workers were employed of which 10,474 were in the Primary Iron and Steel Manufacturing industry. Since the amount of steel imported would have employed about 50,000 workers, including those required to produce the steel; deducting the latter leaves 450,000. Other fabricating industries use less steel per 1 billion of final demand. Household Applicances, for instance, employs only 6,267 in Primary Iron and Steel for each $1 billion of final demand; Motor Vehicles 7,400. In these industries, therefore, the use of $1.2 billion of steel imports support total employment in the fabricating industry in excess of 500,000. Hence additional 450,000 workers as a result of the imports in 1966 appears to be a reasonable estimate. See BLS, "Total Employment (Direct and Indirect), per Billion Dollars of Delivery to Final Demand, 1962."

[10] Estimated from AISI, *Charting Steel's Progress During 1966* (1967), pp. 60–61. Total revenues of the industry were $18.3 billion; shipments 90 million tons, indicating receipts of $200 per ton.

EUROPEAN COAL & STEEL COMMUNITY STEEL INDUSTRY, EMPLOYMENT, PRODUCTION, AND PRODUCTIVITY 1961-66

Date	Total employed (thousands)	Raw steel production [1] (thousands of tons)	Raw steel production (tons) per employee
(1)	(2)	(3)	(4)
1961	[2] 583.2	73,503	[3] 126
1962	[2] 581.9	73,002	126
1963	[4] 576.8	73,208	127
1964	[4] 591.0	82,856	140
1965	[5] 587.3	85,991	146
1966	[5] 565.0	85,137	[6] 151

[1] E.C.S.C., ibid., table n. 27, p. 413.
[2] E.C.S.C., High Authority, 11th General Report on the Activities of the Community, (Feb. 1, 1962-Jan. 31, 1963) Luxembourg, May 1963, table n. 53, p. 656.
[3] Index: 100.
[4] E.C.S.C., 13th General Report (Feb. 1, 1964-Jan. 31, 1965) Luxembourg, March 1965, table n. 48, p. 407.
[5] E.C.S.C., 15th General Report (Feb. 1, 1966-Jan. 31, 1967) Luxembourg, March 1967, table n. 42, p. 431 (French ed.).
[6] Index: 120.

Note: Data as of Sept. 30 of each year.

APPENDIX II

THE DEMAND FOR STEEL IN 1980

The dissemination of gloom and doom has become a major preoccupation of America's steel oligopolists. In every available public forum, the same refrain is repeated *ad nauseam:* "World steel capacity is growing at an alarming rate. It is growing far faster than any foreseeable increase in steel consumption. Huge steel surpluses are inevitable. And these steel surpluses will undoubtedly be dumped on the American market which is the prime target of every foreign steelmaker. Obviously drastic action is called for to prevent an inundation of our market with this surplus steel made abroad, because the standard of living—indeed, the very livelihood—of American steel workers hangs in the balance."

These foreboding predictions stand in sharp contrast to the professional judgment of the industry's own experts. Walter L. Moore, director of commercial research for Jones & Laughlin Steel Corp., for example, told a *Wall Street Journal* correspondent: "We believe we have the declining markets behind us. We have carefully appraised our current markets and feel we are firmly entrenched in these. I believe the steel industry again stands at the threshold for some good long-term growth." (*Wall Street Journal,* August 22, 1963.) This optimism, said the *Wall Street Journal,* "is widely shared among steel executives and their market analysts." (*Ibid.*)

That was four years ago, and it is reassuring to learn that this optimism of professional steel men has been sweepingly justified in a scientific forecast to be published by the Bureau of Business Research of the University of Michigan. The study, entitled "Energy and the Michigan Economy: A Forecast," was started under the auspices of the Michigan Department of Economic Expansion, and financed by investor-owned electric, gas, and telephone companies, Michigan's Petroleum Industries, and coal suppliers. It was prepared with the cooperation of Michigan's railroads, manufacturers, retailers, financial institutions, and various State agencies. Its authors include leading experts from such corporations as Chrysler, Dow Chemical, Michigan Bell Telephone, Detroit Edison, Manufacturers National Bank, and Consolidation Coal Company. The chapter on the steel industry was written by G. Doyle Dodge, market analysis specialist for McLouth Steel.

In his chapter—significantly entitled "Steel: A Giant Awakens"—Mr. Dodge presents a richly documented forecast of the steel market for Michigan and for the United States as a whole, between the years 1964 and 1980. The conclusions are both astounding and satisfying: the production of steel ingots is scheduled to increase from 127 million tons in 1964 to 206 million tons in 1980; the shipments of steel products from 84.9 million to 162 million tons; and steel exports from 3.3 million to 6.5 million tons. All these are increases of more than 90 percent. Perhaps, most surprisingly, steel imports are estimated to increase from 6.4 million in 1964 to 11 million tons in 1970, but to *decline* thereafter to 7 million tons in 1980. (See table 1.)

It is noteworthy that these "figures are based on a normal rather than a peak demand," which means that the steel industry must be prepared to supply

tonnages *above* the suggested normal demand while operating above optimum level. Also noteworthy, from a methodological point of view, is the fact that the above forecasts are more than a simple extrapolation of trend lines based on past performance. Instead, Mr. Dodge's technique for bringing his long-term projection into focus was "to analyze each of the major steel-consuming industries and decide at what level each will be operating to fulfill the demand for its products at the specified time." In the process, Mr. Dodge had to make "an unbiased decision . . . about what types of materials will be used to turn out these products."

According to the study, there are seven categories of consumers which account for 90 percent of total steel shipments: automotive; construction and contractors' products; electrical and non-electrical machinery; appliances and other domestic and commercial equipment; containers; rail, water, and air transportation equipment; and exports. The projected steel demand for each of these categories between 1964 and 1980 is portrayed in Table 7. The explanation for each of these estimates is briefly summarized below.

AUTOMOTIVE

"There are several forecasts of the number of automobiles and trucks that will be produced in the coming years, and happily all of these predictions point to big increases. The predictions are based on such things as the number of people of driving age, the trend to two- and three-car families, the increase in personal income, the continued movement to suburbia, the high scrappage rate, the increasing amount of construction, and the rising level of farm-product hauling. Considering the forecast in the automotive section of this study, the steel consumed in the building of cars and trucks throughout the United States in 1980 should increase by 70 percent over 1964, that is, to 34,800,000 net tons of steel."

CONSTRUCTION

"Considering the high base of nearly 24 million tons consumed for construction in 1964, the 100 percent increase to 48 million tons in 1980 is most impressive. . . . Of the several steel-consuming sectors in the construction industry, probably the most important single market is the federal, state, and local highway program. . . . The other consumers in the construction industry, nonresidential building and nonbuilding, certainly will carry their own weight in helping to double the annual consumption of steel between 1964 and 1980."

MACHINERY

"The machinery industry is currently the third largest consumer of steel, and as we move farther into the automation era it is going to become even more important . . . Table [7] shows the United States' shipments of steel to the machinery industry increasing 120 percent between 1964 and 1980, or from 12,729,000 to 28,004,000 net tons."

APPLIANCES

"In the United States as a whole, the shipments of steel to this industry should go from 4,937,000 net tons in 1964 to 10,363,000 net tons in 1980, an increase of 110 percent."

CONTAINERS

"The container industry will gain strength in the near future with the introduction of land-sea cargo containers. These are large steel boxes in which products can be loaded, then hauled across land and placed, box and all, on board ships."

TRANSPORTATION

"Transportation and related industries will also benefit from the elaborate mass transit systems being planned by several cities, and by the efforts that government and the airlines are making toward supersonic transportation and further exploration in space."

EXPORTS

"The export market for steel has had a very bad time in the last seven years. In fact, United States exports have dropped from 5 million net tons in 1957 to 2 million net tons in 1963, while imports have increased from 1 million net tons in 1957 to an estimated 10 million net tons in 1965. These figures can be explained by the fact that foreign mills have improved their capacity and quality, while

their costs have stayed low. . . . However, their costs are now rising considerably faster than costs in the United States, where new mills offering similar efficiencies are now being built. In a matter of time, domestic producers will be better able to compete both here and abroad, and they can once again reverse the export-import trend."

The overall conclusion of the Dodge survey, entitled "A Bright Future", leaves no doubt as to the estimate of steel demand in the coming years: "During the 1958–62 period our economy experienced recessionary adjustments which drastically affected steel industry sales. . . . Actually this period in the industry's history permitted, and possibly caused, a revaluation of markets, products, and facilities, the results of which are just now becoming evident. The past few years have fostered many new processes and shown the versatility which will enable the iron and steel industry to thrive. . . . Ahead lies an enormous demand for finished steel products."

NOTA BENE

The foregoing forecasts are the scientific judgment of professional steel men. They differ sharply in content, tone, and conclusions from the public relations releases designed to frighten the Congress and the general public into a retreat from the principles of free competitive enterprise.

TABLE 1.—STEEL INDUSTRY STATISTICS

[Thousands of net tons]

Year	Steel ingot production	Steel products			
		Shipments	Export	Import	Consumption [1]
1954	88,312	63,153	2,792	771	61,132
1955	117,036	84,717	4,061	973	81,629
1956	115,216	83,251	4,348	1,341	80,244
1957	112,715	79,895	5,348	1,155	75,702
1958	85,255	59,914	2,823	1,707	58,798
1959	93,446	69,377	1,677	4,396	72,096
1960	99,282	71,149	2,977	3,359	71,531
1961	98,014	66,126	1,990	3,163	67,299
1962	98,328	70,552	2,013	4,100	72,639
1963	109,261	75,555	2,180	5,446	78,821
1964	127,076	84,945	3,281	6,440	88,104
Forecast:					
1970	155,000	111,756	4,431	11,000	118,325
1975	183,000	137,756	5,513	9,000	141,243
1980	206,000	162,155	6,477	7,000	162,678

[1] Consumption equals shipments minus export plus import.

Note: The tonnage difference between ingot production and steel shipments is the result of in-plant yield and does not reflect an inventory buildup.

Source: American Iron & Steel Institute; U.S. Bureau of the Census, and McLouth Steel Corp. Market Research; G. Doyle Dodge, "Steel: A Giant Awakens," in Energy and the Michigan Economy: A Survey, University of Michigan, Bureau of Business Research, 1967.

TABLE 7.—ESTIMATED STEEL INDUSTRY SHIPMENTS, ALL GRADES

[Thousands of net tons; service center, further processing, and nonclassified tonnage redistributed]

Year	Automotive	Construction and contractors' products	Electrical and nonelectrical machinery	Appliances and other domestic and commercial equipment	Containers	Rail, water and air transportation equipment	Export	All other	Total
1954	13,336	17,731	8,766	3,728	6,203	3,547	2,715	7,126	63,153
1955	20,806	21,938	11,731	5,124	7,173	4,893	2,828	10,225	84,717
1956	16,332	23,213	12,452	5,166	7,291	3,830	3,880	11,086	83,251
1957	16,137	23,510	10,942	4,071	6,650	6,144	4,793	7,648	79,891
1958	11,599	18,041	8,305	3,826	6,886	2,809	2,603	5,846	59,914
1959	16,071	19,463	10,435	4,318	6,719	3,671	1,627	7,073	69,377
1960	16,398	20,365	10,103	4,349	6,815	3,803	2,773	6,543	71,149
1961	14,308	19,911	9,622	4,165	6,992	2,912	1,932	6,285	66,126
1962	16,880	20,222	10,214	4,387	7,087	3,344	1,852	6,567	70,552
1963	18,704	21,596	10,910	4,543	6,856	3,938	2,044	6,964	75,555
1964	20,470	23,909	12,729	4,937	7,001	5,020	2,994	7,885	84,945
Forecast:									
1970	24,765	32,755	17,458	6,664	8,752	6,375	4,431	10,556	111,756
1975	29,362	40,938	22,553	8,798	10,652	7,445	5,513	12,495	137,756
1980	34,800	47,818	28,004	10,363	12,252	8,320	6,477	14,121	162,155

Source: American Iron & Steel Institute and McLouth Steel Corp. Market Research; G. Doyle Dodge, "Steel: A Giant Awakens," in Energy and the Michigan Economy: A Survey, University of Michigan, Bureau of Business Research, 1967

APPENDIX III

MAJOR STEEL PRICE CHANGES—1962-1967

Change No.	Date announced	Initiator	Followers	Products	Change in price	Washington reaction and industry response
1	Apr. 10, 1962	United States Steel	7 companies including Bethlehem.	All products	Increase average $6 a ton (or increase 3.5 percent).	Rescinded after President Kennedy's protest and Kaiser's and Inland's refusal to follow.
2	Apr. 13, 1962					Bethlehem withdrew increases and United States Steel obliged to rescind too.
3	Apr. 10, 1963	Wheeling		Large plate, HR and CR sheet and strip.	Increase $4.50 a ton	President Kennedy accepted "selective" price increases. (No inflationary spiral seen by experts even if all major steel producers lift prices.)
				Long terne sheet, galvanized sheet and roofing.	Increase $7 a ton	
4	Apr. 15, 1963		Lukens	Electrical sheet	Increase $10 a ton	
				Carbon plate	Increase $5 a ton	
5	....do		Republic	Alloy plate	Increase $7 a ton	
				HR sheet and strip	Increase $4.50 a ton	
				CR sheet and strip	Increase $5.50 a ton	
				Plate	Increase $4.50 a ton	
	Apr. 16, 1963		Pittsburgh	Electro zinc coated sheet	Increase $5.50 a ton	
				HR sheet and strip	Increase $4.50 a ton	
				CR sheet	Increase $5.50 a ton	
				CR strip	Increase $6.50 a ton	
6	Apr. 17, 1963		United States Steel	HR sheet and strip	Increase $4 a ton	
				CR sheet and strip	Increase $5 a ton	
				Galvanized sheet and long terne sheet.	Increase $7 a ton	
	....do		Jones & Laughlin	HR sheet and strip	Increase $4 a ton	
				CR sheet and strip	Increase $5 a ton	
				Galvanized sheet	Increase $7 a ton	
	....do		Armco	Plate	Increase $4 a ton	
				Plate and HR sheet	Increase $4.50 a ton	
				CR sheet	Increase $5.50 a ton	
				Galvanized sheet	Increase $7 a ton	
				Enameling sheet	Increase $5.50 a ton	
				Wire rods and merchant wire products.	Decrease $5 a ton	
7	Apr. 18, 1963		Bethlehem	HR sheet	Increase $4 a ton	
				CR sheet	Increase $5 a ton	
				Galvanized sheet	Increase $7 a ton	
			National	HR sheet	Increase $4 a ton	
			Youngstown S. & T.	CR sheet	Increase $5 a ton	
			Kaiser	Plate	Increase $4 a ton	

8	Apr. 19, 1963		McLouth	HR sheet and strips	do	
				CR sheet and strips	Increase $5 a ton	
	do		Sharon	HR strip	Increase $4 a ton	
				CR sheet and strip	Increase $5 a ton	
				Plate	Increase $4 a ton	
9	Sept. 30, 1963	Youngstown S. & T.		Carbon bars and carbon steel bloom, billet, slabs, rerolling quality.	Increase $5 at ton (increase 4 percent).	
10	Oct. 2, 1963		Republic	Carbon, alloy bars	Increase $4 to $5 a ton	
11	do		Inland	Structural shapes and "H" bearing pile.	Increase $4 a ton	
	do		Armco	Carbon and alloy bars	Increase $4 to $5 a ton	
				Certain type of stainless sheet	Decrease 7 percent price	
	do		United States Steel	HR carbon bars and carbon semifinished steel.	Increase $5 a ton	
12	Oct. 3, 1963		Bethlehem	HR carbon plate, bars, and semifinished steel.	do	
13	Mar. 31, 1964.	Republic	United States Steel, Allegheny, Universal Cyclops.	HR and CR stainless sheet and CR stainless strip.	Decrease by 1 to 7 cents a pound.	
14	Apr. 6, 1964.	Triangle Conduit and Cable Co.		Galvanized and black enamel rigid steel conduit.	Increase 5 percent	
15	Apr. 13, 1964. 1964.		Youngstown S. & T.	Rigid steel conduit	do	
16	Apr. 14, 1964.		Jones & Laughlin	do	do	
17	Apr. 29, 1964.	United States Steel		Wire rods (certain sizes)	Decrease $20 a ton	
18	May 4, 1964.		Bethlehem	do	do	
19	Oct. 8, 1964.	United States Steel	Inland	Concrete reenforcement bars	Increase $0.75 a hundredweight.	
			Armco			
20	Oct. 15, 1964.		Youngstown	Concrete reenforcement bars	do	
	do	Crucible		Certain types of stainless pipe	Increase 5 percent	
21	Oct. 19, 1964.		Republic	do	do	
	do		Bethlehem	Electric fusion weld line pipe (most).	Increase $6 a ton	
22	Dec. 14, 1964		United States Steel	Oil country casing tubing, pipe products.	Increase 4 to 4.5 percent	
23	Dec. 22, 1964	Inland		Galvanized sheet and coils	Increase $6 a ton	President Johnson had no comment.
24	Dec. 28, 1964		Republic, Granite City, United States Steel.	do	do	
25	Dec. 30, 1964		Bethlehem, Jones & Laughlin, Youngstown S. & T.	Galvanized sheet	do	
26	Mar. 9, 1965	Allegheny-Ludlum		Flat-rolled silicon steel (4 grades).	Increase $3 to $9 a ton	
27	Mar. 12, 1965		United States Steel	(3 nonoriented grades) electrical steel sheets.	Increase $18 to $24 a ton	
				4th grade electrical steel sheet.	Decrease $0.00 a ton	

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APPENDIX III—Continued

MAJOR STEEL PRICE CHANGES—1962-1967—Continued

Change No.	Date announced	Initiator	Followers	Products	Change in price	Washington reaction and industry response
28	Oct. 12, 1965	United States Steel		Tin-coated steel	Increase $0.25 per base box (from $9.10 to $9.35).	
29	Oct. 14, 1965		Bethlehem	do	Increase $0.25 per base box	
30	Oct. 19, 1965		National	Tin-free steel coils	Decrease $0.45 per base box	
				Tin-coated steel	Increase $0.25 per base box	
31	Oct. 21, 1965		Jones & Laughlin	Tin-free steel	Decrease $0.45 per base box	
				Regular tinplate	Increase $0.25 per base box	
32	Dec. 31, 1965	Bethlehem		Black plate	Decrease $0.45 per base box	
				Structurals	Increase $5 a ton	Strong Government objection. Pentagon ordered contracts on structural steel shifted to mills that do not list quotes.
	Jan. 5, 1966		Inland	do	do	Inland and Colorado Fuel and Iron postponed the increase.
33	Jan. 12, 1966	United States Steel	Colorado Fuel & Iron	do	Increase $3 a ton	
				Structural	Increase $2.75 a ton	Price resulting from negotiations (reasoning together) with administration, United States Steel price move increasing the steel price index by about one-tenth of 1 percent called "inconsequential" rise by G. Ackley, while the former Bethlehem price move increasing the steel price index by two-tenths of 1 percent was judged "inflationary" by Council of Economic Advisers.
				CR sheet	Decrease $9 a ton in Pittsburg (Calif.)	
34	Jan. 17, 1966		Bethlehem, Inland	All structural shapes	Increase $2.75 a ton	
35	Feb. 9, 1966	Lukens		Certain types of plate	Increase $4 a ton	
36	Feb. 13, 1966		United States Steel, Alan Wood.	do	do	
37	Feb. 24, 1966		Kaiser	do	do	
38	Mar. 1, 1966	United States Steel		Extras on certain carbon, high strength and alloy plate dimension.	Increase $1 to $6 a ton (equals average increase of $2.92 a ton for all plate products).	United States Steel notified the Council of Economic Advisers of its price change. Apparent Government approval.
				Low carbon wire rods	Reduction $6.50 a ton	
				Heavy HR carbon sheet	Reduction $2 to $25 a ton [1].	
				Nails, staples, brads	Increase of $15 a ton in all plants except $6 in Pittsburgh (Calif.) and $9 in Worcester (Mass.).	
39	Mar. 3, 1966		Bethlehem	Heavy plate items	Increase average $2.92 a ton	
				Heavy HR carbon sheet	Decrease $2 to $25 a ton	
	Mar. 6, 1966		Kaiser	Heavy plate items	Increase average $2.92 a ton	
			Inland	do	do	
	do		Alan Wood	Heavy gage HR steel in coil	Decrease $2 to $25 a ton	
				Heavy plate items	Increase average $2.92 a ton	

40	May 19, 1966	Republic	Bethlehem, Jones & Laughlin, United States Steel, Inland, Kaiser.	Alloy bars and billets, carbon special quality bars and billets.	Increase $2 a ton	
				White carbon merchant bars	Decrease $1 a ton	
				Carbon shell billets	Decrease $2 a ton	
41	June 1, 1966	Republic, Copperweld, Bliss & Laughlin, La Salle.		Cold-finished bars	Unpublicized price move	
				Cold carbon finished bars and alloy bars.	Increase $2 a ton	
42	June 5, 1966		Jones & Laughlin	HR special quality bars; forging quality bloom, billets, and slabs; alloy steel bars, bloom, billets and slabs.	do	
				HR merchant quality bars; bar-sized shapes.	Decrease $1 a ton	
43	Aug. 2, 1966	Inland		Prime grade CR sheets; HR sheets and strips.	Increase $3 a ton	Initiated without consulting the administration.
				2d grade sheets (same products).	Increase $2 a ton	White House asked for delay. Telegrams sent by White House (G. Ackley) to certain companies, but eventually the administration accepted the increase.
44	Aug. [a]4, 1966		Armco	Prime quality HR and CR sheet and strip.	Increase $3 a ton	
				Secondary sheet	Increase $2 a ton	
			Jones & Laughlin	Prime quality sheet HR and CR.	Increase $3 a ton	
45	Aug. 5, 1966		United States Steel, Bethlehem, Republic, National, Youngstown, S. & T.	Prime quality HR and CR sheet.	do	
46	Aug. 8, 1966		Granite City, Sharon, Alan Wood, Empire, Reeves, Interlake.	do	do	Silence by White House explains the rise of several smaller firms.
47	Aug. 10, 1966		Wheeling	do	do	Delay in Wheeling decision explained by the preceding year's just introduced "price-at-time-of-order" system.
				Tin plate	Increase $0.25 per base box	
48	Nov. 9, 1966	Allegheny-Ludlum		Stainless sheets and strips	Increase 2.5 percent	
49	Nov. 14, 1966		Eastern Stainless, Republic, Crucible, Carpenter.	do	do	Washington invited Allegheny-Ludlum chief officer for talks. Following increase of about 9.2 percent in nickel price (instituted by International Nickel Co. of Canada) and disregarding Nov. 4, letter from the Council of Economic Advisers urging steel companies to absorb the nickel price increase.
50	Nov. 25, 1966		Jones & Laughlin	Stainless Billets, bars, and wire products.	Average increase of 4 percent	
51	Dec. 8, 1966		Armco	do	Average increase of 2.5 percent.	
52	Dec. 1, 1966		Crucible	Stainless steel bars, billets, rods, and wire.	(Unpublished revised prices)	

[a] Reconciled to come under sheet-price schedule rather than plate prices.

APPENDIX III—Continued

MAJOR STEEL PRICE CHANGES—1962-1967—Continued

Change No.	Date announced	Initiator	Followers	Products	Change in price	Washington reaction and industry response
53	Jan. 5, 1967	Jones & Laughlin		Continuous weld pipe	Increase 2.6 percent	
				Seamless, electric resistance welded pipe.	Increase 2.2 percent	White House reacted mildly to price rise.
				Oil country tabular products	Increase 2.9 percent	
54	Jan. 11, 1967		Republic	Steel pipe products	Average increase 2.7 percent	
55	Jan. 12, 1967		United States Steel	do	Average increase 2.5 percent	
	do		Youngstown, Wheeling, Lone Star.	do	Average increase 2.7 percent	
56	Jan. 13, 1967		Armco	Oil country tubing; standard pipe products.	do	
57	Jan. 18, 1967		C.F.&I. (Denver)	Steel pipe products	do	
58	Apr. 13, 1967	United States Steel		Size extras on certain structural steel sections, and size extras on sheet piling products.	Average increase of $2.49 a ton or 2.0 percent up.	
59	Apr. 17, 1967		Bethlehem	Certain nonstandard sized construction products.	Price changes not mentioned.	
60	Aug. 1, 1967	National		Electrolytic tin plate	Average increase 2.7 percent	
61	Aug. 2, 1967		Wheeling	Holloware enameling stock, and blued stock.	Average increase of $0.25	
62	Aug. 3, 1967		United States Steel	Tin plate, black plate, and tin-free steel.	Average increase 2.7 percent (increase of $0.25 a base box).	
63	Aug. 4, 1967		Bethlehem, Bethlehem, Pa., Inland & Kaiser.	Temper hard tin plate, black plate, and tin-free steel.	Average increase of $0.25 by base box.	
			Inland, Kaiser	Thin double-reduced tin plate, black plate, and tin-free steel.	Average increase of $0.15 by base box.	
	Aug. 7, 1967		Jones & Laughlin	Double reduced electrolytic tin plate, and tin mill black plate.	Increase of $0.10 a base box	
61	do	United States Steel		Carbon and alloy bar extras (certain types).	Increase of $2 a ton	
				Heat-treated and straightened cut lengths.	Increase of $5 to $8 a ton	
				Molybdenum grade alloy steel bars.	Increase of $2 a ton	

65	Aug. 18, 1967	Republic		Bar products (certain sizes)	do	
				Flat shapes (certain sizes)	Increase of $1 to $2 a ton	
				Some semifinished carbon steel and some sheet steel (size extras).	do	
66	Aug. 22, 1967		Jones & Laughlin Copperwald.	Bar products	Increase of $2 a ton	
	do		Bliss & Laughlin Wyckoff			
67	Aug. 18, 1967	Bethlehem		Cold-finished bars (size extras).	Increase of $2 a ton.	
68	Aug. 21, 1967		United States Steel	HR carbon plates	Increase of $4 a ton.	
69	do		Alan Wood	do	do	
70	Aug. 22, 1967		Republic, Inland, Jones & Laughlin.	do	do	
71	Aug. 21, 1967	United States Steel		Alloy plate	Increase of $8 a ton.	
72	do		Alan Wood	do	do	
73	Aug. 22, 1967		Republic, Inland, and Jones & Laughlin.	do	do	
74	Aug. 24, 1967		Bethlehem	do	do	
75	Aug. 30, 1967	Republic		Carbon and alloy HR bars	Increase of $0.15 per hundred pounds (or a $3-a-ton increase).	G. Ackley, Chairman of Council of Economic Advisers calls on national companies not to follow the steel bar hike announced by Republic.
76	Aug. 31, 1967		United States Steel	do	Increase of $3 a ton.	
				CF carbon and alloy bars	Increase of $4 a ton.	
77	Sept. 4, 1967		Bethlehem, Armco, Inland, and Jones & Laughlin, Kaiser.	Carbon and alloy HR bars	Increase of $3 a ton.	
				CF carbon and alloy bars	Increase of $4 a ton.	

REFERENCE

Item No.	Source	Date	Page No.
1	Wall Street Journal	Apr. 11, 1962	3
2	do	Apr. 14, 1962	3
3	do	Apr. 10, 1963	3
4	do	Apr. 15, 1963	3
5	do	Apr. 16, 1963	3
6	do	Apr. 17, 1963	3
7	do	Apr. 18, 1963	2
8	do	Apr. 19, 1963	2
9	do	Sept. 30, 1963	3
10	do	Oct. 1, 1963	6
11	do	Oct. 2, 1963	6
12	do	Oct. 3, 1963	3
13	do	Mar. 31, 1964	3
	do	Apr. 1, 1964	11
14	do	Apr. 6, 1964	2
15	do	Apr. 13, 1964	28
16	do	Apr. 14, 1964	3
17	do	Apr. 29, 1964	3
18	do	May 4, 1964	3
19	do	Oct. 8, 1964	2
20	do	Oct. 15, 1964	2
21	do	Oct. 19, 1964	2
22	do	Dec. 14, 1964	3
23	do	Dec. 22, 1964	3
24	do	Dec. 28, 1964	2
25	do	Dec. 30, 1964	3
26	do	Mar. 9, 1965	4
27	do	Mar. 12, 1965	2
28	do	Oct. 13, 1965	3
29	do	Oct. 14, 1965	2
30	do	Oct. 19, 1965	32
31	do	Oct. 21, 1965	3
32	do	Jan. 3, 1966	3
	do	Jan. 4, 1966	3
	do	Jan. 5, 1966	2
33	do	Jan. 6, 1966	3
34	do	Jan. 17, 1966	3
35	do	Feb. 14, 1966	3
36	do	Feb. 21, 1966	2
37	do	Feb. 25, 1966	6
38	Wall Street Journal	Mar. 1, 1966	3
39	do	Mar. 4, 1966	7
40	do	May 19, 1966	3
	do	May 23, 1966	3
41	do	June 1, 1966	32
42	do	June 6, 1966	10
43	do	Aug. 3, 1966	3
44	do	Aug. 4, 1966	3
45	do	Aug. 5, 1966	3
46	do	Aug. 8, 1966	3
47	do	Aug. 10, 1966	3
48	do	Nov. 9, 1966	3
49	do	Nov. 14, 1966	2
50	do	Nov. 25 1966	3
51	do	Nov. 8, 1966	21
52	do	Dec. 1, 1966	10
53	do	Jan. 5, 1967	3
54	do	Jan. 11, 1967	2
55	do	Jan. 12, 1967	5
56	do	Jan. 13, 1967	2
57	do	Jan. 18, 1967	27
58	do	Apr. 13, 1967	2
59	do	Apr. 17, 1967	7
60	do	Aug. 2, 1967	2
61	do	Aug. 3, 1967	8
62	do	Aug. 4, 1967	4
63	do	Aug. 7, 1967	3
64	do	Aug. 18, 1967	5
65	do	do	5
66	do	Aug. 28, 1967	7
67	do	Aug. 21, 1967	3
68	do	Aug. 22, 1967	2
69	do	do	2
70	do	Aug. 28, 1967	7
71	do	Aug. 22, 1967	2
72	do	do	2
73	do	do	7
74	do	Aug. 28, 1967	7
75	do	Aug. 31, 1967	2
76	do	Sept. 1, 1967	3
77	do	Sept. 4, 1967	32

APPENDIX IV

TABLE 1.—INDEX OF STEEL PRICES, UNITED STATES, 1957-67

[1957-59=100]

Year	Total, all commodities	Total, iron and steel	Finished steel products	Steel's finished steel weighted price composite
	(1)	(2)	(3)	(4)
1957	99.0	98.4	97.2	96.46
1958	100.4	99.4	100.6	100.32
1959	100.6	101.8	102.2	102.80
1960	100.7	100.6	102.1	102.80
1961	100.3	100.7	101.7	102.80
1962	100.6	99.3	101.4	102.80
1963	100.3	99.1	102.0	104.41
1964	100.5	100.5	102.8	105.91
1965	102.5	101.4	103.3	105.97
1966	105.9	102.3	104.7	106.78
1967:				
March	105.7	103.3		107.87
July	106.5	103.4	105.8	
October				105.57

Sources: Cols. (1), (2), (3): AISI, Annual Statistical Report, 1965, table 5, p. 12; U.S. Bureau of Labor Statistics, Wholesale Prices and Price Index, February 1967, table 2b, p. 39; Federal Reserve Bulletin, May 1967, pp. 846-847; September 1967, p. 1640, 1964[1]. Col. (4): Based on average shipments and prices, "Metal Working Facts and Figures," Steel, Mar. 27, 1967; Oct. 9, 1967, p. 187.

TABLE 2.—FINISHED STEEL, ANNUAL PRICE AVERAGES

[Dollars per net ton, Pittsburgh. Tin plate is electrolytic, 0.25 pound coating. Prior to 1964, prices are for hot dipped, common coke, 1.50 pound coating]

Year	Sheets			Strip		Tin plate	Bars		Plates	Shapes	Basic wire	Wire rods
	H.R.	C.R.	Galvanized	H.R.	C.R.		H.R.	C.F.				
1957	95.92	117.90	128.90	95.92	139.90	203.67	104.88	141.35	99.42	103.26	148.35	......
1958	99.96	122.88	134.29	99.96	145.29	207.17	110.58	148.92	103.60	107.30	155.92	......
1959	102.00	125.50	137.50	102.00	148.50	213.00	113.50	153.00	106.00	110.00	160.00	......
1960	102.00	125.50	137.50	102.00	148.50	213.00	113.50	153.00	106.00	110.00	160.00	128.00
1961	102.00	125.50	137.50	102.00	148.50	213.00	113.50	153.00	106.00	110.00	160.00	128.00
1962	102.00	125.50	137.50	102.00	148.50	213.00	113.50	153.00	106.00	110.00	160.00	128.00
1963	104.87	129.08	142.52	104.88	151.69	213.00	114.75	154.11	107.20	110.93	160.00	128.00
1964	106.00	130.50	144.50	106.00	153.50	182.00	118.50	158.00	111.00	114.00	160.00	128.00
1965	106.00	130.50	150.50	106.00	153.50	182.52	118.50	158.00	111.00	114.00	160.00	128.00
1966	107.20	131.70	150.50	107.20	154.65	187.00	117.88	159.20	111.00	116.95	160.00	128.00
1967:												
March	108.00	133.50	150.50	109.00	156.50	187.00	117.50	160.00	111.00	117.00	160.00	(1)
October	109.00	133.50	150.50	109.00	156.50	187.00	126.50	164.00	115.00	117.00	160.00	(1)

[1] Not available.

Source: Steel, The Metalworking Weekly, Mar. 27, 1967, p. S-20; Oct. 9, 1967.

TABLE 3.—IMPORTED STEEL PRICES, 1957-67 (AVERAGE PRICES IN NORTH ATLANTIC AREA)

[Dollars per 100 lbs.]

Date	I-beams	Plates (basic bessemer)	Sheets (H.R.)	Barbed Wire [1]	Merchant bars	Wire rods (Thomas No. 5)	Wire rods (Sumitomo Japan)	Bright common wire nails
Jan. 28, 1957	7.75	9.30	8.55	6.80	7.15	6.72	....	8.45
Jan. 27, 1958	6.43	7.64	6.24	6.95	6.73	7.07	....	8.12
Jan. 26, 1959	5.06	6.62	8.20	6.60	5.40	6.05	....	7.89
Jan. 25, 1960	6.16	6.28	7.50	6.80	6.69	7.05	....	8.15
Jan. 30, 1961	5.60	5.45	(2)	6.50	5.85	6.00	5.95	6.55
Jan. 29, 1962	5.15	5.20	(2)	6.25	5.20	5.70	5.60	7.05
Jan. 28, 1963	5.45	5.15	....	6.35	5.40	5.55	4.98	6.60
Jan. 27, 1964	5.15	5.65	....	5.95	5.40	5.10	4.97	6.40
Jan. 18, 1965	5.15	5.65	....	5.95	5.40	5.75	5.64	6.40
Jan. 31, 1966	5.45	5.80	....	5.50	5.40	5.40	5.30	6.40
Mar. 6, 1967	5.45	5.80	....	5.70	5.05	5.25	5.05	6.15
Oct. 9, 1967	5.45	5.80	....	5.70	5.05	5.25	5.05	6.15

[1] Per 82-lb. net reel.
[2] Nom.

Source: Steel magazine.

APPENDIX V

TABLE I.—U.S. EXPORTS AND IMPORTS OF STEEL, DIRECT AND INDIRECT (1959–65), TONNAGE AND VALUE

Year	Steel products (net tons) (I)	Steel products (millions) (II)	Iron and steel scrap (net tons) (III)	Indirect steel (net tons) (IV)	Total direct and indirect, excluding grants-in-aid V=(I+III+IV) net tons
1959:					
Exports	1,982,781	$496	4,849,076	3,000,000	9,831,857
Imports	4,628,320	572	309,365	1,200,000	6,137,685
Net balance	−2,645,539	−76	+4,539,711	+1,800,000	3,694,172
1960:					
Exports	3,224,125	727	7,189,614	3,200,000	13,613,739
Imports	3,578,019	501	181,884	900,000	4,659,903
Net balance	−353,894	+226	+7,007,730	+2,300,000	8,953,836
1961:					
Exports	2,228,162	544	9,715,876	3,200,000	15,144,038
Imports	3,321,432	421	270,795	700,000	4,292,227
Net balance	−1,093,270	+123	+9,445,081	+2,500,000	10,851,811
1962:					
Exports	2,273,872	565	5,113,407	3,300,000	10,687,281
Imports	4,305,535	534	264,593	800,000	5,370,128
Net balance	−2,031,663	+31	+4,848,816	+2,500,000	5,317,153
1963:					
Exports	2,558,147	622	6,363,617	(3,500,000)	12,419,754
Imports	5,658,789	684	218,952	(900,000)	6,777,731
Net balance	−3,102,642	−62	+6,154,665	(+2,600,000)	5,642,023
1964:					
Exports	3,735,475	761	7,898,939	4,100,000	15,734,414
Imports	6,711,105	815	281,633	1,100,000	8,092,738
Net balance	−2,976,630	−54	+7,617,306	+3,000,000	7,641,676
1965:					
Exports	2,837,483	721	6,169,772	4,300,000	13,307,255
Imports	10,749,481	1,268	212,474	1,400,000	12,361,955
Net balance	−7,911,998	−547	+5,957,298	+2,900,000	945,300
1966:					
Exports	2,026,775	635	5,858,186	4,400,000	12,284,961
Imports	11,166,129	1,313	406,655	1,900,000	13,472,774
Net balance	−9,139,354	−678	+5,451,531	2,500,000	−1,187,813

Source: Col. I and II—AISI (American Iron & Steel Institute) Annual Statistical Reports, 1966, table 28 and 32. Col. II—Compiled by Statistical Division of American Iron & Steel Institute from the data as given by the U.S. Department of Commerce in Foreign Trade, exports and import by commodity, December of each year. Col. IV—AISI, estimates based on dollar value of exports and imports as reported by Census Bureau (cf. Congressional Record, May 1, 1967, p. H4899.)

TABLE II.—SHARE OF STEEL TRADE IN TOTAL U.S. MERCHANDISE TRADE (IMPORTS AND EXPORTS)

[In millions of dollars]

	1959		1960		1961		1962	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total merchandise [1]	16,406	15,629	19,638	15,019	20,188	14,716	20,793	16,382
Steel products [2]	395	478	638	431	467	346	457	457
Share of total percent	2.40	3.06	3.25	2.86	2.30	2.35	2.20	2.80
Machinery and transport equipment [2]	6,076	1,633	7,011	1,467	7,330	1,364	8,057	1,674
Share of total percent	36.8	10.4	35.8	9.8	36.4	9.3	35.5	10.2
Iron and steel scrap [2]	167	....	238	....	340	....	147	....
Total, all steel categories	6,638	2,111	7,887	1,898	8,137	1,710	8,661	2,131
Share of total percent	40.5	13.5	40.1	12.6	40.5	11.6	41.5	13.0

	1963		1964		1965		1966	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total merchandise [1]	22,427	17,140	25,671	18,684	26,567	21,366	29,396	25,500
Steel products [2]	513	598	664	715	607	1,140	537	1,182
Share of total percent	2.28	3.50	2.60	3.85	2.26	5.20	1.84	4.6
Machinery and transport equipment [2]	8,268	1,819	9,349	2,216	9,609 10,016	2,947	10,808	4,828
Share of total percent	36.5	10.6	36.2	11.8	37.8	13.8	37.0	18.8
Iron and steel scrap [2]	170	....	243	....	197	....	177	....
Total, all steel categories	8,951	2,417	10,256	2,931	10,820	4,087	11,522	6,010
Share of total percent	40.0	14.0	39.5	15.6	41.0	19.2	39.0	23.5

[1] U.S. Department of Commerce, Overseas Business Reports, August 1966, OBR 66-40, table 1. (N.B. excluding military grant and shipments.)
[2] Idem., OBR 66-49, tables 14 and 15; and OBR 67-21, May 1967, tables 1 and 2.

APPENDIX VI

[From the Quarterly Journal of Economics, May 1966]

BIG STEEL, INVENTION, AND INNOVATION

Walter Adams and Joel B. Dirlam

Introduction: the "Schumpeterian" hypothesis, 167.—I. Oxygen steelmaking: the history of its invention and innovation, 169.—II. Some cost and profit implications of innovative lethargy, 184.—III. Conclusion, 188.

The view attributed to Schumpeter, that large firms with substantial market power have both greater incentives and more ample resources for research and innovation, has become part of popular mythology and an article of faith among many economists as well. Ostensibly, Schumpeter felt "that firms had to be protected by some degree of monopoly—to have some room to maneuver . . ." in order to bring about massive innovations. Presumably, he implied "that more concentration would increase innovation and progress." [1]

Though Schumpeter never stated it without careful qualification,[2] this idea has been widely used to explain why some industries, like textiles, are "backward," and others, like petroleum, are not. Galbraith, for example, argues that "a benign Providence . . . has made the modern industry of a few large firms an almost perfect instrument for inducing technical change. It is admirably equipped for financing technical development. Its organization provides strong

[1] Richard Caves, *American Industry: Structure, Conduct, Performance* (New York: Prentice Hall, 1964), p. 98.

[2] Schumpeter qualified his hypothesis more carefully than did his disciples. To be sure, he argued that ". . . largest-scale plans could in many cases not materialize at all if it were not known from the outset that competition will be discouraged by heavy capital requirements or lack of experience, or that means are available to discourage or checkmate it so as to gain the time and space for further developments . . ."; but he also observed that "it is certainly as conceivable that an all-pervading cartel system might sabotage all progress as it is that it might realize, with smaller social and private costs, all that perfect competition is supposed to realize." *Capitalism, Socialism, and Democracy* (New York: Harper, 1942), pp. 89, 91. For a balanced restatement of the Schumpeter hypothesis, see Edward S. Mason, *Economic Concentration and the Monopoly Problem* (Cambridge: Harvard University Press, 1957), pp. 91–101, and Jesse W. Markham, "Market Structure, Business Conduct, and Innovation," *American Economic Review, Papers and Proceedings*, LV (May 1965), 323–32.

incentives for undertaking development and for putting it into use. The competition of the competitive model, by contrast, almost completely precludes technical development."[3] In a whimsical vein he adds that "The foreign visitor, brought to the United States to study American production methods and associated marvels, visits the same firms as do the attorneys of the Department of Justice in their search for monopoly."[4]

Similarly, Lilienthal argues that firms that are small and competitive do not have the profits to finance research: "Only large enterprises are able to sink the formidable sums of money required to develop basic new departures."[5] Villard points out that the financing of research is less strategic than the assurance that, after an innovation is introduced, the firm will have a sufficient share of the market to recoup its outlays. And, he holds, only oligopolists in fact can enjoy such assurance.[6]

This hypothesis has not remained unchallenged.[7] Moreover, there has been a recent flurry of empirical studies, replete with regression analyses, designed to test the relationship between concentration and innovation.[8] Unfortunately, these studies have yielded inconclusive results.[9] Therefore, an unhurried exploration, in some depth, of a single, revolutionary invention and its introduction into a major oligopolized industry may provide some rewarding insights.

For testing the "Schumpeterian" hypothesis, we have selected the oxygen steelmaking process—the circumstances surrounding its invention, its delayed adoption by the dominent firms in the United States steel industry, and the cost of this delay in terms of the industry's social performance.

I

"In my opinion," Avery C. Adams, chairman of the board and president of Jones & Laughlin, told his stockholders in 1959, "the basic oxygen process represents the only major technological breakthrough at the ingot level in the steel industry since before the turn of the century. With the exception of what we in the industry call trick heats, i.e., one heat made under ideal conditions, the best open-hearth practice today results in a production rate of 39 to 40 tons per hour. Our basic oxygen furnaces have produced at the rate of 106 tons per hour to date this month. On a trick heat basis, we have hit 160 tons per hour." By 1965 this opinion had become virtually unanimous in the industry. Indeed most steel experts were willing to predict that no new open-hearths would ever again be built in the United States. Nevertheless, Mr. Adams' 1959 pronouncement came some ten years after the potentials of the new process should have been a matter of course to every steelman in the United States.

Despite its revolutionary character, the basic oxygen process employs a relatively simple principle, it refines pig iron into steel by jetting oxygen vertically downward into a molten bath of pig iron. The conversion is accomplished in a

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[3] John K. Galbraith, *American Capitalism* (Rev. ed.; Boston: Houghton Mifflin, 1956), p. 86.

[4] *Ibid.*, p. 91.

[5] David E. Lilienthal, *Big Business: A New Era* (New York: Harper, 1953), p. 69.

[6] Henry H. Villard, "Competition Oligopoly, and Research," *Journal of Political Economy*, LXVI (Dec. 1958), 483.

[7] John Jewkes, David Sawers, and Richard Stillerman, *The Sources of Invention* (London: Macmillan, 1958). Jacob Schmookler, "Bigness, Fewness, and Research," *Journal of Political Economy*, LXVII (Dec. 1959), 628–35. And esp. Daniel Hamberg, "Size of Firm, Monopoly, and Economic Growth," *Employment, Growth, and Price Levels*, Part 7, Hearings before the Joint Economic Committee, 86th Congress, 1st Session, 1959, pp. 2337–53; "Invention in the Industrial Research Laboratory," *Journal of Political Economy*, LXXI (April 1963), 95–115; and "Size of Firm, Oligopoly, and Research: The Evidence," *Canadian Journal of Economics and Political Science*, XXX (Feb. 1964), 62–75.

[8] Edwin A. Mansfield, for example, has conducted some highly useful statistical research into the relation between size of firm and both the importance and adoption speed of innovations, ("Size of Firm, Market Structure and Innovation," *Journal of Political Economy*, LXXI (Dec. 1963), 556–76, and "The Speed of Response of Firms to New Techniques," this *Journal* LXXXVII (May 1963), 290–311. His conclusions, however, as he would be the first to concede, do not permit assured generalizations with regard to the central hypothesis. For instance, he found some evidence that the length of time a firm waits before using a new technique tends to be inversely related to the size of the innovator ("The Speed of Response of Firms to New Techniques," *op. cit.*). On the other hand, the steel industry remains an unexplained exception to his conclusion that the larger firms were more likely to innovate than the smaller. ("Size of Firm, Market Structure and Innovation, *op. cit.*) As we see it, the major weakness of the Mansfield approach is that it drowns in aggregate generalization what must be qualitatively evaluated in a careful case-by-case analysis.

[9] After a comprehensive review of the recent literature, Jesse Markham concludes that "The difficulty with such regression analyses as these is not so much their statistical as their conceptual inconclusiveness." (*Op. cit.*, p. 381.)

pear-shaped vessel that looks something like a cocktail shaker or water carafe—bellied at its central portion and having a restricted mouth. Not only does it produce top-grade, "open-hearth" quality steels more quickly and efficiently than older methods, but it entails lower investment (as well as operation) costs. Finally, and ironically, the process was foreseen by Sir Henry Bessemer almost a century ago.

History of the Invention

Bessemer ushered in the steel age with his principle of pneumatic conversion, patented in 1855.[10] This consisted of passing a "gaseous fluid containing oxygen" through molten pig iron. The Bessemer converter, equipped with an acid refractory lining, was charged with molten pig iron through a top opening. Atmospheric air would then be forced through a number of pipes (tuyeres) in the bottom of the converter and forced upward through the bath of molten metal. No extraneous source of fuel was necessary, because the oxygen in the air blast reacted exothermically with the impurities in the iron which were burned off as a gas or carried off into the slag.

This, the so-called "acid" Bessemer process, could be used only to refine high-phosphorous ores but was not adapted to refining the immense deposits of high-phosphorus ores in Lorraine and Sweden. With a view to using these phosphoric ores, S. G. Thomas invented and patented in 1876 a process which differed from Bessemer's principally in the use of a basic converter lining (dolomite bound with tar) instead of the acid lining employed by Bessemer. It was this Thomas converter (or basic Bessemer process, as it was known in the United States) on which the great development of steelmaking in Europe was based. The Thomas process was uniquely adapted to the use of Europe's large phosphoric ore deposits.

Bessemer recognized that the air blast used in his process posed a major problem. Since air is composed of 80 per cent nitrogen and 20 per cent oxygen; since nitrogen is bad for steel (making it brittle and less malleable); and since there was no way of preventing the injection of nitrogen into the Bessemer steels through the use of atmospheric air, Bessemer stated as early as 1856: "And here I would observe, that although I have mentioned air and steam because they contain, or are capable of evolving, oxygen at a cheap rate, it will nevertheless be understood that pure oxygen gas or a mixture thereof with air or steam may be used." [11] Indeed, Bessemer not only entertained the possibility of using "pure oxygen gas" in the converter, but also of introducing it through the top instead of the bottom of the vessel.

In spite of Bessemer's insights, early attempts to apply his teachings failed. Two major problems bedeviled steel technology: (1) pure oxygen was not available in commercial quantities and was prohibitively expensive; and (2) an increase in the oxygen content of the air-blast used by Bessemer would reduce the nitrogen content of the refined steel, but would also cause serious damage to the converter's tuyeres and refractory lining. European steelmakers using the Thomas converter faced the additional problem of producing steels with an excessive phosphorus content and hence inferior quality.

In view of these problems, it is not surprising that the basic open-hearth furnace, the so-called Siemens-Martin process, was almost an immediate success after its introduction in 1880. While slower and more expensive than pneumatic methods of steelmaking—requiring about eight hours for a batch of steel as compared with one hour in a Bessemer converter—the open-hearth had two signal advantages. It produced steel almost free of nitrogen, and hence of far greater quality in terms of malleability, and it could use a relatively high percentage of scrap in lieu of pig iron. In the United States, therefore, blessed as it was with plentiful scrap supplies, the Siemens-Martin furnace provided an excellent solution to the quality problems of the Bessemer and Thomas conversion processes. Indeed, by 1909, the open-hearth had outstripped the Bessemer converter as the workhorse of the American steel industry, and by 1953, about 89 per cent of the steel produced in the United States was of the basic open-hearth variety.

But pneumatic conversion remained the quickest and cheapest way of refining steel. Hence experiments continued, especially in Europe, to solve the problems of the oxygen supply and the longevity of the refractory lining. One breakthrough occurred in 1929, when the Gesellschaft fur Linde's Eismachinen AG in Germany perfected a method (the Linde-Fränkl process) of producing bulk oxygen of

[10] British Patent No. 2768 of 1855.
[11] British Patent No. 1292 of 1856.

99 per cent purity at very low cost. From then on, except for the actual building of the needed oxygen plants, the technical *and economic* problem of an adequate oxygen supply for steelmaking was of no further concern.[12]

The problem of the tuyere and lining longevity, however, was more stubborn and vexing. Attempts to use high purity oxygen in bottom-blown (Bessemer or Thomas) converters resulted in the rapid deterioration of the converter bottom—sometimes within the short time of one heat.[13] Other attempts, i.e., to use oxygen in sideblown converters, encountered similar difficulties.[14] Here the oxygen jet directed at the melt surface caused excessively high temperatures on the side of the vessel facing the oxygen inlet and resulted in serious damage to the refractory lining. Still other attempts, i.e., to use lower concentration of oxygen or oxygen-steam combination[15]—in order to conserve the refractory bottom or the sidewalls of the converter—suffered from the inherent liabilities of the conventional Bessemer method: an excessive nitrogen content of the refined steel and failure to take full advantage of the exothermic role of oxygen as a converter fuel.

The final breakthrough in the development of the oxygen process was based on the work of Schwarz, Miles, and Durrer. In an application filed in 1939 and issued as German Patent No. 735,196, on July 3, 1943, Professor C. V. Schwarz of Berlin-Charlottenburg stated: "The object of the present invention is a method of bringing gases into particularly intimate contact with liquid baths, for instance metal baths, by providing the jet of gas directed onto the surface of the bath with such a high kinetic energy that it is capable of penetrating in the manner of a solid body deep into the bath by the use of extremely high velocities lying preferably above the speed of sound. In this way it is possible, without any additional means, such as for instance a pipe or the like which is subject to rapid wear, to cause the jet of gas to act within the liquid baths so that the reaction takes place extremely rapidly and completely." In this top-blown purely oxygen process, Schwarz observed, "the danger of rapid wear of the container liner is eliminated since the reaction bteween oxygen and iron . . . takes place in

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[12] By 1948 A. B. Robiette could report that "Developments in the production of cheap oxygen by the Linde-Fränkl and other systems have so reduced the cost of oxygen that it can now be seriously considered both for combustion systems and for the refining of pig iron and the production of steel." "Use of Oxygen for Steelmaking," *The Iron and Coal Trades Review*, May 28, 1948, p. 1103.

[13] Between 1936 and 1940, for example, O. Lellep conducted experiments at Oberhausen, Germany, with the use of pure oxygen in a bottom-blown converter. While he succeeded in producing high quality steel at low cost, he found no way of preserving the service life of the converter bottom, and hence failed to come up with a commercially feasible process. "Versuche zur Stahlherstellung im Herdofen und Konverter unter Benutzung von konzentriertem Sauerstoff, ausgeführt in der Gutehoffnungshütte A.-G., Oberhausen, in der Zeitperiode von 1936 bis 1940," published in Mexico City in 1941; cited in *Stahl und Eisen*, Vol. 71 (Dec. 20, 1951), p. 1442.

By 1945 the Russians had built a special converter plant at their Kuznetsk Steel Works to study the production of Bessemer steel by use of an oxygen-enriched or pure-oxygen blast in a bottom-blown converter. They too failed to develop a method for preserving the service life of the tuyeres when using 100 per cent concentration of oxygen. See the article by V. V. Konjakov in *Engineers' Digest*, Nov. 1947, p. 522, cited in *Iron Age*, Feb. 19, 1948, p. 70.

The Germans conducted successful experiments in bottom-blown converters by use of 64 per cent pure oxygen at Haspe and 73 per cent pure oxygen at Oberhausen (*Stahl und Eisen*, Vol. 70 (Apr. 13, 1950), pp. 303–21 and Vol. 71 (Nov. 8, 1951), pp. 1189–99), but failed in further efforts to increase the oxygen concentration in the blast without excessive wear and tear of the converter bottom.

[14] As early as 1904 Herman A. Brassert described a side-blown converter using "dry air," oxygen, or oxygen-enriched air. He suggested that a suitable number of tuyeres be positioned around the converter vessel *above* the metal line "So as to direct the air issuing from them downwardly onto the surface of the metal in the bath whereby a whirling or rotary motion will be given to the metal." (U.S. Patent No. 1,032, 653, applied for on November 11, 1904, and issued on July 16, 1912). Notable among the experiments and pilot projects subsequently undertaken were those of Jones & Laughlin (started in 1942) and Carnegie-Illinois (started in 1946). By 1949 both companies had concluded that their side-blown converter (turbo-hearth) process was "fundamentally sound" and that it could be made to yield low-nitrogen, low-phosphorus steels in commercial quantities, if certain operating problems were solved and the equipment design modified. See E. C. Bain (vice president, Carnegie-Illinois) and H. W. Graham (vice-president, Jones & Laughlin), "The Turbo-Hearth—A New Steelmaking Technique," *Iron Age*, Apr. 21, 1949, pp. 62–65. For a discussion of other side-blown converter experiments, see *Stahl und Eisen*, Vol. 62 (Sept. 3, 1942) pp. 749–56 and Vol. 64 (June 1, 1944) pp. 349–58. Both of these volumes of *Stahl unde Eisen* were reproduced and distributed to scientific centers in the United States during World War II by the Alien Property Custodian.

[15] Extensive experiments with oxygen-steam combinations were conducted by Coheur, Marbais, Daubersy *et al.* at the Belgian Centre National de Recherches Metallurgiques in Liège. For accounts of these experiments, see *Stahl und Eisen*, Vol. 70 (Oct. 26, 1950), pp. 1015–17, (Nov. 9, 1950), pp. 1077–79, and *Revue Universelle de Mines*, Vol. 93 (1950) pp. 104–8, 401–2, 402–7, 408–17, 418–23 and 423–30.

the center of the steel bath and therefore the walls of the vessel are not substantially attacked."

In Belgian Patent No. 468,316—applied for on October 4, 1946, granted on November 30, 1946, and opened for public inspection on March 1, 1947—John Miles offered some refinements on the art taught by Schwarz. He, too, worked with a top-blown converter and emphasized the importance of keeping the source of the chemical oxidation reactions within the bath "at a good distance from the refractory lining of the furnace."

Finally, Robert Durrer, a Swiss professor who had begun his experimentations at the Institut fur Eisenhüttenkunde of the Technische Hochschule at Berlin-Charlottenburg as early as 1938 and continued them at the Louis von Roll Eisenwerke in Gerlafingen. Switzerland, after the war, succeeded in producing steel with a top-blown, pure-oxygen process in a 2.5 ton experimental converter.[16] On March 21, 1948, as Durrer's associate later reported, he proved that "it is possible to refine pig-iron of varying composition with pure oxygen. There are no difficulties with respect to the durability of the nozzle or the converter lining. . . . The qualities of the steel correspond to those of normal open-hearth steel." [17]

These experiments by Durrer and Hellbrügge provided the last crucial link in the process of technology diffusion, because it was Durrer who transmitted the Schwarz and Miles teaching (and his experimental findings based thereon) to the eventual patentees—the Austrian steel firm VOEST. The sequence of events was as follows: In 1948 VOEST was contemplating an expansion of its steel plants at Linz and was actively considering all available steelmaking processes. Aware of the Durrer-Hellbrügge experiments at Gerlafingen, VOEST dispatched its Works Manager, Dr. Trenkler, to Gerlafingen on May 12, 1949, to inspect the equipment and examine the techniques which had there been employed to produce steel in a top-blown oxygen converter. Encouraged by Trenkler's favorable report, VOEST immediately initiated a test series in a two-ton modified converter which on June 25, 1949, yielded further refinements of the Schwarz-Miles-Durrer art: "first, the blowing of pure oxygen from above onto . . . a highly reactive zone in the upper region of the melt, which zone is spaced from the refractory lining of the vessel. Second, the avoiding of deep penetration of the oxygen jet into the bath [again to avoid damage to the converter lining]. Third, the avoiding of material agitation of the bath by the stirring effect of the oxygen jet. Fourth, the creation of a circulatory movement of the bath, not by mechanical action of the jet, but by the chemical reactions." [18] These refinements of the process solved not only the problem of safeguarding the converter lining, but also the need for dephosphorization through a proper slag composition.

In any event, by mid-August of 1949, VOEST was convinced of the soundness of the process and initiated the final experiments to test the process operationally and practically. These were concluded successfully by November 1950, and a new metallurgy had been born.[19] VOEST then constructed its first L–D plant which went into large-scale, commercial production in 1952.

It is noteworthy that the three major revolutions in steelmaking—the Bessemer, Siemens-Martin (open-hearth), and basic oxygen processes—were not the products of American inventive genius nor the output of giant corporate research laboratories. The oxygen process was developed in continental Europe and perfected by the employees of a nationalized enterprise, in a war-ravaged country, with a total steel ingot capacity of about 1 million tons—by a *firm* that was less than one-third the size of a single *plant* of the United States Steel Corporation.

History of the Innovation

In innovation, as in invention, the giants of the United States steel industry lagged, not led. The first large-scale commercial use of the oxygen process was in an Austrian steel plant (VOEST) in 1952. The first installation of the new

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[16] R. Durrer, "Sauerstoff-Frischen in Gerlafingen," *von Roll Werkzeitung*, Vol. 19 (May 1948, pp. 73–74.

[17] H. Hellbrügge, "Die Umwandlung von Roheisen in Stahl in Konverter bei Verwendung von reinem Sauerstoff," *Stahl und Eisen*, Vol. 70 (Dec. 21, 1950), p. 1211 (freely translated from the original German).

[18] Testimony of Dr. Hauttmann, one of the co-inventors of record, in *Kaiser* v. *McLouth*, Civil Action No. 16,900, U.S. District Court (E.D. Mich.), 1964, Record p. 2754.

[19] The Austrians refer to the process as L–D which either stands for Linz-Düsenverfahren or for Linz-Donawitz (the location of the patentee's steel plants). In the United States, it is variously referred to as the Oxygen Converter Process, Basic Oxygen Furnace Process, BOP, or OSM.

process on the North American continent took place in a Canadian plant (DOFASCO) in 1954. The first United States company to obtain a license under the Austrian L–D patents was Kaiser Steel in 1953—at the time, a company with less than 1 per cent of United States ingot capacity. The first United States company actually to install the oxygen process was McLouth Steel in 1954—at the time, also a firm with less than 1 per cent of United States ingot capacity. The first *major* steel company to do so was Jones & Laughlin in 1957—to be followed by U.S. Steel and Bethlehem in 1964, and Republic in 1965. In other words, the leaders of the United States steel industry finally decided to innovate this revolutionary process fully fourteen years after an Austrian company of infinitesimal size had done so—successfully.

Instead of adopting the "only major breakthrough at the ingot level since before the turn of the century,"[30] U.S. Steel rested content with a slogan: to call itself a company "where the big idea is *innovaton,*"[31] John S. Tennant, General Counsel of U.S. Steel, boasted to the Kefauver Committee that "The distinguishing characteristic of the American steel industry is its tremendous productiveness, a quality which other countries have been unable to emulate so far,"[32] and that the U.S. Steel Corporation "is fully aware of, and has continuously studied and tried out, new processes developed both in this country and abroad."[33] As late as November 1957 Mr. Tennant assured the Committee that such new processes as oxygen steelmaking (which had been described in glowing terms by engineers appearing before the Committee and in State Department technical despatches from abroad) required "further development" before they "conceivably could be substituted for, or displace, existing practices."[34] Their "growth potential," he felt, "cannot be forecast."[35]

Was this policy of watchful waiting justified by a paucity of information? Could Big Steel have been expected to know more about the technical feasibility and economic advantages of the oxygen process? Could it reasonably have been expected to gather sufficient evidence sooner than it did, and therefore initiate its move to oxygen at an earlier date? Judged by the available evidence, the answer seems incontrovertibly and emphatically "yes." We say this without probing further to ask why, in view of the long-familiar potential of oxygen conversion, Big Steel had not anticipated the European invention by many years.

(1) Starting in 1952 the steel producers of the world began a ceaseless trek to the Austrian oygen installations at Linz and Donawitz. By 1963 some 34,000 had come to observe, inspect, and study the new process in operation.[36] The DOFASCO and McLouth installations were subjected to similar visitations by steel producers, metallurgists, and engineers.

(2) A great mass of technical literature, including literally thousands of articles in engineering and trade journals, started accumulating with the publication of the Austrian invention. As early as 1952 *Stahl und Eisen* devoted almost an entire issue to a steel conference at Leoben, Austria, where some 360 engineers and scientists (60 of them from seven countries outside of Austria) met to discuss the oxygen revolution in steelmaking and to receive first-hand reports from the leading engineers of the Linz-Donawitz plants. These reports dealt with the metallurgical characteristics of oxygen steel, the engineering aspects of operating an L–D converter, and the economic feasibility of the new process.[37] In discussing the Linz-Donawitz experience with investment and op-

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[30] Statement by Avery Adams of James & Laughlin, quoted in *Forbes,* Jan. 1, 1960, p. 95.

[31] Advertisement, *Wall Street Journal,* Jan. 13, 1966, p. 13 (emphasis in original).

[32] Hearings of the Subcommittee on Antitrust and Monopoly, *Administered Prices: Steel,* Part 3, 85th Congress, 1st Session, 1958, p. 1059 (hereinafter cited as *Kefauver Hearings*).

[33] *Ibid.*, p. 1060.

[34] *Ibid.*, p. 1057.

[35] *Ibid.*, p. 1058. Not even the trade journals had the charity to accept (or at least ignore) this stance of self-congratulatory catatonia. *Forbes* called it a "sad fact" that "despite the 49 million tons of new capacity the U.S. industry had added in the Fifties, its over-all operations were slack and inefficient, its technology retarded, its plant antiquated and inefficient." (Jan. 1, 1963, p. 31.) After 1957, *Forbes* pointed out, "the U.S. industry discovered to its astonishment that European and Japanese producers were ahead not only in labor costs but in production efficiency as well." (*Ibid.*) It was not before 1962, however, and then "at whatever cost," that the "U.S. steel industry seemed determined to create a national steel plant as modern and efficient as those of its foreign competitors." (*Ibid.*) During the fifties, according to *Business Week,* the industry was seemingly gripped by technological indecision. So the industry leaders did "what steel has done in similar situations for years. They're withholding major investments while they watch very closely the operating results—and problems—of the pioneers." (Nov. 26, 1955, pp. 58–64.)

[36] Trial Brief for Plaintiffs, *Kaiser v. McLouth,* Civil Action No. 16,900, U.S. District Court (E.D. Mich.), p. 65.

[37] The proceedings of the Leoben conference, held in December 1951, were printed in *Stahl und Eisen,* Vol. 72 (Aug. 14, 1952), pp. 989–1024.

erating costs, Kurt Rösner presented detailed data to indicate that (a) the investment cost of an L–D plant was only about half that of an openhearth plant; (b) if the cost of erecting oxygen facilities were included in the computation, the L–D plant would still cost only about 60 percent as much as an open-hearth plant; (c) operating costs in an L–D plant (exclusive of the cost of raw materials) were 72 percent of those in an open-hearth plant.[28] Rösner's conclusion, that the economic feasibility of the new process appears beyond question, was endorsed by Professor Durrer who observed that the commercial feasibility of L–D refining was firmly established for Austrian (and hence also for United States) low-phosphorus ores, but that additional work had to be done to adapt it to high-phosphorus ores.[29] Ironically enough, Durrer's comment meant that United States producers should have been the first to jump on the L–D bandwagon, whereas the European producers working as they did with high-phosphorus ores could have been excused for a delayed response.

(3) Starting with its 1954 annual report, and regularly thereafter, McLouth expressed its enthusiasm for the oxygen steel process which it had innovated in the United States.[30] In the 1954 Annual Statement, McLouth reported:, "However, we are now operating the first Oxygen Steel Process in the United States. It is a revolutionary method of making high quality steel and is reducing our costs."

In the 1955 Annual Statement, McLouth stated: "Our oxygen steelmaking process, which is still the only one of its kind in the United States, has proved outstandingly successful. It has been operating at better than rated capacity."

In the 1958 Annual Statement, McLouth, reviewing its twenty-five years of operation, stated: "The most spectacular phase of the expansion program was the pioneering of the Oxygen Steel Process.... The steel industry watched with interest the devolpment of this new steelmaking idea. Today many companies are considering the use of oxygen in conversion."

If these reports by a miniscule steel producer were not required reading for the giants of the industry, the views of Thomas F. Hruby, associate editor of *Steel*, writing in 1955, and endorsing the McLouth reports, should have commanded more serious attention.[31] Discussing the experience of the oxygen innovators in Canada (DOFASCO) and the United States (McLouth), Hruby wrote:

"What about open-hearth practice? Has it reached its peak? Talk to the people who are running the oxygen operations at Dominion Foundries & Steel in Canada and at McLouth Steel in Detroit. Pose the question to the many steelmakers who traveled to Austria for their first look at the process. The answer is an emphatic yes.

"At no time in steelmaking history has there been a process that is so right for the present and future economic climate. The key considerations: Low capital investment, a tons-per-hour rate nearly three times the open-hearth record and an operational flexibility that would lend itself to a five-day work week."[32]

DOFASCO, said Hruby, was "completely sold on the transplanted Austrian process," because it was averaging about 1,000 tons per day on a capital investment of $6 million and because this output was "better quality steel than Dominion produced in its open-hearths." As for McLouth, Hruby reported:

"When you're getting 600,000 ingot tons of production from a capital investment of $7 million, it's a pretty good deal. When you find that your ingot costs are down $3 a ton to boot, there's cause for celebration.

"But McLouth Steel Corp., Detroit, is too busy making the first oxygen-converter steel in this country to be celebrating. Besides, its management knew pretty well what to expect two years ago when it decided to integrate the Austrian process into its steelmaking operations."[33]

No one, Hruby concluded, could still cling to "the notion that oxygen steelmaking hasn't arrived commercially."[34] The date of Hruby's article was April 1955.

(4) Starting with its annual review issue in January 1954, the authoritative *Iron and Steel Engineer* began to chronicle the accelerating trend toward the

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[28] *Ibid.*, pp. 997 ff. Rösner points out, *inter alia*, that labor costs in the L-D process are only half those in the open-hearth process.

[29] *Ibid.*, p. 1019.

[30] McLouth, *Annual Reports* for years cited.

[31] "Oxygen Steelmaking Arrives," *Steel*, April 4, 1955, pp. 80–83. The same issue of *Steel* contains an article, "What Happens in the Oxygen Vessel," giving operational details on the process based on DOFASCO's experience.

[32] *Ibid.*, p. 80.

[33] *Ibid.*

[34] *Ibid.*

oxygen process throughout the world, and to supply "hard" data on the technology of the process, its cost characteristics, and the quality of its product. In January 1955 the journal reported that production rates for oxygen "converters are as much as three times higher per hour than for the conventional open-hearth furnaces, and operating costs, exclusive of metallics and fixed charges are $3.00 per ton of steel less than similar costs for open-hearth steel. Capital costs are estimated at 50 per cent less than a comparably sized open-hearth shop."[35] In March of the same year, the *Iron and Steel Engineer* published an article on the economics of oxygen steelmaking, the data in which are summarized in Table I.

TABLE I.—COMPARATIVE COSTS OF OXYGEN AND OPEN-HEARTH STEELMAKING

Capital and operating costs	500,000-ton annual capacity (approximately)		1,000,000-ton annual capacity (approximately)	
	Oxygen converter	Open hearth	Oxygen converter	Open hearth
Capital cost per annual ton	$20.22	$39.61	$12.67	$33.71
Cost of metallics per ton of steel	37.41	36.67	37.41	36.67
Operating cost per ton of steel (exclusive of cost of metallics)	9.37	14.63	8.38	14.25

Source: W. C. Rueckel and J. W. Irwin, "Economic Aspects of the Oxygen Converter," Iron and Steel Engineer, March 1955, p. 62.

In January 1957 this same journal reported flatly that "The oxygen-blown converter for making steel is now an accepted tool of the steelmaker."[36] After offering some additional operating data on McLouth's converter, and announcing oxygen facilities under construction at Kaiser and Jones & Laughlin, it reported a new oxygen process developed in Sweden—the Kal-Do or rotary oxygen converter.[37]

In January 1958 this same journal concluded that "The top-blown oxygen converter process is meeting with greater acceptance in the United States and throughout the world," and supported this conclusion with a detailed catalogue of expansions in oxygen steelmaking facilities. It indicated that various rotary oxygen processes were finding favor in France, Germany, and South Africa as well as Sweden.[38]

In January 1959 the *Iron and Steel Engineer* stated that one of the chief reasons for acceptance of the oxygen converter is "the low capital cost, which has been estimated at $15 a ton, compared with about $40 a ton for added open-hearth capacity."[39]

Finally, in January 1960, after citing an Association of Iron and Steel Engineers estimate of $15 per annual ton of oxygen capacity versus $35 per ton for open-hearth capacity, this same journal offered the "strong conclusion . . . that the United States has probably already seen the last large new open-hearth shop to be built."[40] Indeed, the journal reported the dismantling of "some 175-ton open-hearth" at Jones & Laughlin's Cleveland works to make room for 200-ton oxygen converters.[41] "Oxygen steelmaking techniques," the journal said by way of remarkable understatement, "have had a tremendous impact on future steelmaking plans."[42]

(5) Starting with its annual review of iron and steel technology for 1953, the Economic Commission for Europe corroborated the findings of both American and foreign trade and engineering journals with respect to the efficacy of oxygen steelmaking. "Undoubtedly the most interesting and extensive recent development in steelmaking has been improvement in quality, by the use of oxygen in basic Thomas converters"[43] the ECE reported for 1953: "The 'L–D'

[35] P. 125. A $3 saving in processing cost of L-D vs. OH steel was reported in *Iron Age*, Feb. 6, 1958, pp. 55–58, and a $3–$12 saving in conversion costs was reported in *Iron Age*, Sept. 24, 1959, pp. 67–68.
[36] P. 137.
[37] P. 141.
[38] P. 165.
[39] P. 33. This estimate was based on the experience at Jones & Laughlin, and was previously reported in *Iron Age*, Dec. 12, 1957, p. 87.
[40] P. 67. The estimate presented at the Association of Iron and Steel Engineers meetings was previously cited in *Steel*, Vol. 144 (Apr. 27, 1959), p. 61.
[41] P. 68.
[42] P. 43.
[43] United Nations, Economic Commission for Europe, *Some Important Developments During 1953 in Iron and Steel Technology* (Geneva: January 7, 1954), p. 10.

plant, *including the cost of an oxygen plant*, costs approximately half of the capital cost of an open-hearth plant of the same capacity. . . . It seems clear that this 'L–D' process ... can produce a high quality of steel with low nitrogen content and at favourable cost." [44]

For the year 1954 the Commission offered the following comparative capital costs for plants with a monthly production capacity of 100,000 tons: [45]

Type of installation	Total capital cost	Tap-to-tap time	Monthly production (tons)
6 225-ton open-hearth furnaces	$22,000,000	9 hours	100,000
5 35-ton L-D oxygen converters (1 of which is in reserve).	[1] 10,000,000	1 hour	100,000

[1] These capital cost estimates also provide for the necessary tonnage oxygen plant.

The report concluded: "In an existing works, having, say, six or eight open-hearth furnaces, some of which may no longer be up to date, the logical development would appear to be to replace two or three of the older open-hearth furnaces by either conventional or oxygen-blown converters, although this involves considerable alterations in the buildings and layout." [46]

Subsequent ECE reports merely reinforced these findings and chronicled the rapid adoption of the new process both in Europe and elsewhere.[47] In 1959 the Commission stated that "During recent years the share of oxygen converters in new steelmaking capacity has increased tremendously," and predicted that "it seems most likely" that this trend will continue, especially at the expense of open-hearth furnaces.[48]

(6) By mid-1957 steel technology had become a matter of political concern in the United States, and the Kefauver Committee expressed lively doubts about the industry's efficiency and progressiveness. The Committee showed particular interest in the failure of the American industry to emulate the inventive and innovative performance of its European counterparts.

Relying on State Department despatches Senator Kefauver challenged the industry to explain its apparent failure.[49] These despatches—from Vienna, Stockholm, and Luxembourg—added little to what had already appeared in the technical and trade literature. More interesting than their contents was the industry's reaction. Thus U.S. Steel conceded that "some form of oxygen steelmaking will undoubtedly become an important feature in steelmaking in this country," but it declined to say when or to commit itself to introducing this innovation.[50] Indeed, three years later, *Fortune* still pictured the Corporation as confronted by "painfully difficult choices between competing alternatives—for example, whether to spend large sums for cost reduction *now* [1960], in effect committing the company to *present* technology, or to stall for time in order to capitalize on a new and perhaps far superior technology that may be available in a few years." [51] The Kefauver challenge had seemingly done little to stir Big Steel from its lethargy.

Reviewing the history of innovation with respect to oxygen steelmaking, the following conclusions are inescapable. *First*, as Table II indicates, United States steelmakers lagged behind the rest of the world in adopting the L–D process. By September 1963 the United States had some 10,400,000 tons of L–D capacity

[44] *Ibid.*, pp. 13, 15 (emphasis supplied).
[45] United Nations, Economic Commission for Europe, *Recent Advances in Steel Technology and Market Development, 1954* (Geneva: February 22, 1955), p. 31.
[46] *Ibid.*, p. 30.
[47] United Nations, Economic Commission for Europe, *Advances in Steel Technology in 1955* (Geneva, 1956), and *Advances in Steel Technology in 1956* (Geneva, 1958). The latter contained an article by I. P. Bardin, member of the Soviet Academy, stating that "In the USSR experience obtained in the use of oxygen in top-blown converters (at the Novo-Tulsk, Enakiev and Petrovsky Works) has shown that steel produced by this method has nearly the same physical and mechanical properties as open-hearth steel." (*Op. cit.*, p. 13.) Bardin also reported that "The cost of installing a converter shop *with oxygen-producing equipment* is considerably lower than that of building an open-hearth shop of the same capacity. Operational costs with the converter process are also somewhat lower." (*Ibid.*, emphasis supplied.)
[48] United Nations, Economic Commission for Europe, *Long-term Trends and Problems of the European Steel Industry* (Geneva, 1959), p. 104, and *Comparison of Steel-making Processes* (New York, 1962), esp. pp. 77–83.
[49] See *Kefauver Hearings, op. cit.*, pp. 1965 ff. and passim.
[50] *Ibid.*, pp. 1057–60.
[51] Charles E. Silberman, "Steel: It's a Brand-New Industry," *Fortune*, LXII (Dec. 1960), 124 (emphasis supplied).

in place—compared with 46,210,000 tons for the world as a whole.[88] If more than 2.5 million tons of other types of oxygen capacity (Kaldo process and rotary converter) be added to the world total, the United States share would be even smaller. Since the L–D process could not immediately be adapted to most European ores, the contrast is even more striking.

TABLE II.—ANNUAL L–D STEELMAKING CAPACITY

[In millions of tons]

Year	United States	World
1953	....	0.5
1954	....	.9
1955	0.54	1.9
1956	.54	2.0
1957	.54	2.7
1958	1.35	5.2
1959	3.58	9.5
1960	4.16	11.5
1961	4.65	17.2
1962	7.50	24.7

Source: Trial Brief for Plaintiffs, Kaiser v. McLouth, Civil Action No. 16,900, U.S. District Court (E.D. Mich.), p. 67.

Second, with the exception of Jones & Laughlin, not a single major steel producer in the United States installed an oxygen converter prior to 1962. Two of the Big Three—U.S. Steel and Bethlehem—had no oxygen capacity until 1964, and Republic none until 1965. Yet they, with a much wider age distribution of existing equipment, should have been the first to experiment.

Third, the innovator of oxygen steelmaking in the United States was the twelfth largest steel company (McLouth) in 1954, to be followed by the fourth largest (Jones & Laughlin) in 1957, the ninth largest (Kaiser) in 1958, the nineteenth largest (Acme) in 1959, the tenth largest (Colorado Fuel & Iron) in 1961, the fifth largest (National) in 1962, and by the fifteenth largest (Pittsburgh), twenty-second largest (Allegheny-Ludlum),[89] and the sixth largest (Armco) in 1963. By the end of 1963 oxygen steelmaking capacity in the United States was distributed as follows:

TABLE III.—DISTRIBUTION OF L–D OXYGEN CAPACITY AMONG U.S. STEEL PRODUCERS, 1963

U.S. steel companies' rank in the industry [1]	Oxygen steel capacity (tons)	Percentage of U.S. oxygen steel capacity	Percentage of Total U.S. steel capacity
1st, 2d, 3d	0	0	52.27
4th, 5th, 6th	6,550,000	50.62	14.76
9th, 10th, 12th	....	....	....
15th, 19th	6,390,000	49.38	7.06
All companies	12,940,000	100	100

[1] Based on company ingot capacity as of Jan. 1, 1960.

Source: American Iron and Steel Institute, Iron and Steel Works Directory of the United States and Canada, 1960; Kaiser Engineers, L–D Process Newsletter, Sept. 27, 1963.

It is also significant that the Swedish Kal-Do process, another oxygen steelmaking technique, was innovated in the United States by Sharon Steel—a company which accounted for 1.3 per cent of total United States steel capacity and ranked thirteenth among ingot producers.

[88] Kaiser Engineers, *L–D Process Newsletter*, Sept. 27, 1963, pp. 3–6. The lag of the United States behind other major steel producers is all the more remarkable, because the L–D process developed by the Austrians was immediately applicable to conversion of our low-phosphorus ores. Major European steelmakers by contrast, had to wait until 1957 before the L–D process was modified sufficiently (by the addition of lime powders in the LD–AC, OLP, and LD-Pompey processes) to be suitable for processing high-phosphorous ores constituting their primary supply. Once this adaptation was made, these countries moved to install the latest technology. So did Japan. See *Comparison of Steel-making Processes, op. cit.*, esp. 78–82.

[89] Allegheny-Ludlum's installation was experimental only.

Finally, it is clear that despite Big Steel's decade of rationalization, the technological avalanche of the oxygen converter could not be stopped. Thus, current estimates indicate that by 1975 some 45 per cent of United States steel production will come from oxygen vessels and that the open-hearth will be displaced as the workhorse of the steel industry:

Moreover, it is ironic that this comprehensive modernization will be taking place during a period of substantial "unused"—or more accurately, economically "unusable"—capacity. Thus, in 1964, the American steel industry was installing oxygen converters at a frenetic pace while using only some 75 per cent of existing facilities—and this in a banner year for steel production. Obviously, as the *Wall Street Journal* observed, the increase in ingot capacity came "because of mill efforts to lower costs and not from any lack of raw steel." The industry was mothballing some 7 million tons of open-hearth capacity, reclassifying it as "standby capacity" with the intention of dismantling much of it "before long." [64] Similarly, the *Iron and Steel Engineer* found it significant that much of the projected new oxygen capacity will in many cases "be used to replace existing workable capacity. Companies are being forced to the process in order to compete, and also perhaps in some cases to develop their know-how. *The low capital cost and the savings in operating costs more than overbalance any considerations to continue operating existing equipment.*" [65]

TABLE IV.—TOTAL U.S. PRODUCTION OF STEEL INGOTS FOR 1963 AND FORECASTS TO 1975

[In millions of net tons]

Year	Open hearth	Bessemer	Oxygen converter	Electric furnace	Total
1963	88.8	1.0	8.5	10.9	109.2
1975	54.0	....	61.0	20.0	135.0

Source: Battelle Memorial Institute, "Technical and Economic Analysis of the Impact of Recent Developments in Steelmaking Practices on the Supplying Industries," Oct. 30, 1964, p. X-3.

In sum, given the steel industry's record of innovation with respect to oxygen steelmaking, it seems reasonable to suggest that Big Steel is neither big because it is progressive nor progressive because it is big.

II

The invention of the oxygen converter, and the history of its innovation, assume particular significance because of the periodic—indeed endemic—complaints by the steel industry about its unreasonably low rates of return and, consequently, its inability properly to finance replacement, expansion, and modernization. While these profit grumbles can be traced back at least to 1939,[66] they have, if anything, been voiced with increasing persistence (and *forte voce*) since then. In 1958, for example, Robert Tyson, Chairman of the Finance Committee of U.S. Steel, argued that steel industry earnings of 13.9 per cent on net assets were really subaverage because of a substantial deficiency in recorded depreciation.[67] In the industry's dispute with President Kennedy in 1961, U.S. Steel used profits as a percentage of sales—probably because the President had relied upon a net worth measure.[68] When the 1962 showdown came, U.S. Steel and its fellow oligopolists emphasized the "financial squeeze;" [69] as in 1958, the high cost of "modernization" was not

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[64] Jan. 4, 1965, p. 4. The *Wall Street Journal* also reported new oxygen capacity of 10.2 million tons, projected by U.S. Steel, Republic, Inland, and Wheeling, commenting that "Mills generally put in the new furnaces to cut costs rather than expand capacity. Oxygen furnaces turn out a batch of steel in 40 minutes, compared with six hours for even the fastest open-hearth furnaces. Capital expense per ton of capacity is lower, too, running around $12 to $15 compared with $30 to $35 for an open-hearth." January 7, 1965, p. 1.

[65] Jan. 1963, p. 171 (emphasis supplied). Precisely how much open-hearth capacity—even if equipped with oxygen lances—is obsolete is a closely guarded industry secret.

[66] See Kaplan, Dirlam, Lanzillotti, *Pricing in Big Business* (Washington: Brookings, 1958), p. 169.

[67] *Steel and Inflation: Fact vs. Fiction* (New York: Public Relations Dept., U.S. Steel Corp., 1958), p. 37.

[68] See "Dear Mr. President . . .," pp. 2, 7, and also speeches by Senators Gore and Kefauver, *Congressional Record*, Aug. 15, 1961.

[69] See "The Steel Price Rise: A Matter of Necessity," a statement by Leslie B. Worthington, President of U.S. Steel, April 10, 1962, p. 3, and "In the Public Interest" remarks by R. M. Blough, Annual Meeting of Stockholders, U.S. Steel, May 7, 1962. Blough stressed the rise in costs, the decrease in profit margins as a per cent of sales, and the rising costs of replacement and "modernization."

only mentioned, but made a key point in the attempt to jusify a price increase.[60] When, in 1964, the steel industry again came into conflict with the White House and the Council of Economic Advisers' guidelines, it once again fell back on an inadequate return on investment to support its price increases.[61]

If the industry added a net of 40 million tons of the "wrong" capacity during the 1950 decade;[62] if the gross addition to capacity during the period amounted to 49 million tons;[63] if the industry could have begun to adopt the oxygen process as early as 1950; if this revolutionary steelmaking process would have provided the industry with substantial savings both in capital investment and operating costs—does it not follow that Big Steel's profit grumbles are in part the result of self-inflicted injury? The rough magnitude of the "improvement" in the industry's level of profits, and the availability of financial resources for replacement and modernization—assuming the industry had followed a policy other than one of suicidal investment—shall now be sketched in rudimentary outline.

According to the theory of replacement economics,[64] a new technique should be substituted for an old one whenever present value of the firm would be greater after the substitution. To make a precise comparison of present values would entail detailed knowledge not only of the immediate outlay on the new process and the cost of capital (to be used as a discount rate), but also of future patterns of operating receipts and expenditures and the net scrap values of presently used and substitute equipment. Obviously, we do not have this information for each steel company. But when there exist operating savings after depreciation from a new process sufficient to cover a reasonable return on the capital required for the new process, it may be assumed that a more precise present value comparison would also show the rationality of substitution. The investment in the old machines is, of course, sunk, and both return on and depreciation of this sunk capital may be disregarded in computations.

Earlier discussion has indicated that the operating savings resulting from use of the oxygen converter may reasonably be taken to be $5 per ton. While a single figure is, of course, subject to qualification, it does not appear that $15 per ton is a serious underestimate of the investment that would have been required in the years 1950–60 to install oxygen convertors in United States mills. Unless the cost of capital to steel companies was as high as 33 per cent during this period, they could have shown a clear gain by replacing open-hearth with oxygen capacity. Note that this comparison disregards advantages of the BOP process such as superior quality control and lower plant space requirements.

A complete substitution could have been easily achieved by 1961. The industry's cash flow during the years 1950–60 was $14.6 billion. To put in operation 87 million tons of oxygen capacity—the approximate amount necessary to produce the steel made in 1960 by open-hearth facilities—would have required an outlay of no more than $1.3 billion or about 12 per cent of the industry's actual capital expenditures of $11 billion. These expenditures include purchase of new and modernization of old open-hearth furnaces.

Assuming the substitution to have been made, we can recompute the rate of return that the basic steel industry could have earned on the equity in 1960. If 87 million tons of steel had been produced by the oxygen process, total operating savings of $432 million could have been realized. After-tax profits would therefore have been $216 million higher. Net worth could have been reduced by as much as $1.7 billion—the difference between the investment required for 87 million tons of open-hearth capacity, and the same amount of oxygen converter capacity. Given an expansion in net profit and a decrease in equity of such magnitudes, the

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[60] See R. M. Blough, "My Side of the Story," *Look*, Jan. 29, 1963, p. 21. There he states that the proposed "very small increase would have made it possible for U.S. Steel to invest in modern plants and equipment . . . and eventually allow us to compete more effectively with foreign steel imports."

[61] See statements quoted in *New York Times*, Section III, Nov. 1, 1964, pp. 1 and 12. Mr. Block of Inland Steel said that "The clear fact is that we do not make a satisfactory return on the vast sums of money invested in the industry." C. M. Beeghly, chairman of Jones & Laughlin, asked for a "competitive return on investment."

[62] *Business Week*, Nov. 16, 1963, pp. 144–46.

[63] *Forbes*, Jan. 1, 1963, p. 31. Drawing on capacity data of the American Iron & Steel Institute, the Office of Business Economics, Department of Commerce, places the *net* increase at 48.6 million tons (Joint Economic Committee, *Steel Prices, Units Costs, Profits, and Foreign Competition*, 88th Congress, 1st Session, 1962, p. 193). The Bureau of Labor Statistics *Background Statistics*, brought up to April 1963, Table 2a, also indicates a 48 million ton increase in capacity—with identical figures taken from the AISI.

[64] Cp. Morris A. Copeland, *Our Free Enterprise Economy* (New York: Macmillan, 1965), pp. 181–209. While his illustrations are simplified, Copeland presents the fundamental elements of capital cost, timing of expenditures and receipts, and their discount to present value, clearly and forcefully.

industry's computed return on net worth in 1960 would have been in the neighborhood of 11.6 per cent, instead of the 7.6 per cent it actually realized—an increase of some 65 per cent in profits.[*]

This computation is set forth only for illustrative purposes, but it shows the "ball-park" boundaries wherein a meaningful rate of return for the steel industry may lie. If the assumptions were changed, the magnitude of the difference between actual and potential returns would also be changed. For instance, if the entire open-hearth capacity of 122,000,000 tons had been replaced by oxygen converters, investment and net worth would have dropped by almost $2.5 billion. The computed rate of return would have been still higher.[*] On the other hand, to the extent that the steel companies carried their open-hearth production assets at less than original cost of installation at 1960 prices, the adjusted rate of return would be less.

One further observation might be made regarding the steel industry's persistent complaint that it is earning less than a satisfactory return. Comparisons of return on net worth with averages for manufacturing industry during the years 1947-63 do show a deficiency for steel. The industry, therefore, had additional reason to replace existing plant with less costly production facilities. It would also have been rational for the industry to have reduced its total capital investments, whereas it did just the opposite.

III

Our review of the circumstances of invention, and the pace and sponsorship of innovation, of the most revolutionary cost-saving development in steelmaking since the Siemens-Martin furnace has, we believe, raised serious doubts concerning the *universality* of the "Schumpeter" hypothesis. If the hypothesis is to have general validity, it must be demonstrably applicable to the most important inventions in concentrated, oligopolized industries. But the history of the development of the oxygen process shows just the opposite.

In the first place, the invention was neither sponsored nor supported by large, dominant firms. Nor were these firms leaders in introducing the revolutionary development. Their indifference is explicable either on the grounds of ignorance or delinquency, and the first of these alternatives must be rejected almost summarily. In view of the wide publicity given to the Leoben conference of 1951, the thousands of articles on oxygen and steelmaking in technical and trade journals, and U.S. Steel's assertion that it is aware of every new development in the industry, it is incredible that the engineers of Big Steel were unaware of the Austrian breakthrough.

Second, it was a small firm that first innovated the new process in the United States, and it was other small firms that followed its lead. We submit that this consequence should not be entirely unexpected because it may well be that the structural and behavioral characteristics of oligopolized industries *prevent* the dominant firms from pioneering. Instead, the small firms may be the innovators because, unlike their giant rivals, what they do in the way of cost reductions is unlikely to cause so violent a disturbance of the status quo. Hence, based on the steel industry experience, it seems as reasonable to assume that innovation is sponsored by firms in inverse order of size as it is to assume the contrary. (In fact, we would hazard a guess that inquiry into innovation in other industries might turn up the same conclusion; for instance, the most important breakthrough in petroleum refining techniques since cracking itself—the development of *catalytic* cracking—was innovated by a small, maverick major. Only after Sun Oil had given positive evidence of its commitment to the Houdry process were its billion-dollar giant rivals willing to venture into the area to develop competing processes.)

Third, our assessment of the consequences of the lag in United States adoption of the oxygen process has shown that the steel industry's complaint about inadequate profits and lack of modernization funds have been sadly exaggerated. Had the dominant steel firms seized the initiative, and carried out a genuine modernization program in the 1950's, their earnings would have been substantially higher and their depreciation and replacement requirements appreciably lower—due to much lower operating costs per ton of ingot capacity and lower depreciation and replacement costs on a lower investment base. Until the steel industry restates its ac-

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[*] According to financial data for firms accounting for 93 per cent of basic steel production in 1960, stockholders' equity was shown as $10.2 billion, and net income at $767 million. With the adjustments noted above, income and equity would have been $988 million and $8.5 billion, respectively. *The Iron Age Annual Review Number*, Jan. 1962.

[*] Substantial asset write-downs would necessitate readjustment of surplus and perhaps even capital accounts of some firms; but this would not alter the currently realized rate of return.

counts to reflect the efficiencies that have been possible for at least the past fifteen years, little credence should be given to its plaintive pleas for higher prices or profits.

Finally, there is another implication to our study of the steel industry's curious inversion of the source of innovation. It has often been assumed that, if homogeneous oligopolies do not compete in price, their leading members compete in innovating—and that the public thereby benefits as much as, if not more than, it would by price competition. Yet the oxygen converter history reveals the steel oligopoly as failing to compete in strategic innovations. What benefits, then, remain for large size in steel?

MICHIGAN STATE UNIVERSITY
UNIVERSITY OF RHODE ISLAND.

The CHAIRMAN. Our next witness will be Mr. Joseph Molony, vice president of the United Steelworkers of America.

STATEMENT OF JOSEPH P. MOLONY, VICE PRESIDENT, UNITED STEELWORKERS OF AMERICA, ACCOMPANIED BY JOHN SHEEHAN, LEGISLATIVE REPRESENTATIVE, AND ELIOT BREDHOFF, ASSISTANT COUNSEL

Mr. MOLONY. Thank you, Mr. Chairman.

Mr. Chairman, my name is Joseph Molony. I am vice president of the United Steelworkers of America. I am accompanied here by my friends, Mr. John Sheehan, who is legislative representative of our union, and Mr. Eliot Bredhoff, who is our general counsel.

Our union, Mr. Chairman, which represents the workers in the iron and steel industry in the United States and Canada, is also the union which represents the iron ore miners in both countries, and it is on their behalf, sir, that I appear before you today to testify on behalf of S. 2537, to provide for orderly trade in iron and steel mill products.

We will recommend, however, that the bill also cover iron ore imports and that Canada be excluded from the application of any of the quotas.

The force of reality has brought us before you today. The reality is the fact that steel imports have captured almost 11 percent of our domestic market, and that there is no evidence that this upward trend in imports will slacken off.

Since 1957 there has been a complete reversal in the import-export picture. At that time, imports represented less than 2 percent of consumption. Today, imports are about 11 percent and account for almost 11 million tons of steel products. In 1957 we exported about 7 percent of net industry shipments; whereas, today, we export less than 2 percent of our shipments.

The prospect of a continuing overcapacity in world steel-producing capacity gives us cause for concern.

Steel production in the European Common Market alone in 1965 doubled the levels of 1952. In comparison, steel production in the United States has increased only 40 percent between 1952 and 1965. To the extent that these increases in foreign production might have reflected increased demand in their home markets, there would have been no strain in world trade. However, this has not been the case.

As world steelmaking capacity rose, steel-producing nations, with insufficient domestic demand, turned to foreign markets to unload production from excess capacity.

It is precisely this acceleration of excess capacity, which has outstripped world demand, that has caused pronounced repercussions upon the American steel industry. Not only has our industry lost most of its own foreign markets to unfair international competition, but the American market itself has became a net importer of steel both in tonnage and in value of steel imported. It should also be noted that somewhat less than half of the American exports are now financed by the Agency for International Development.

As a consequence, we in the union are faced with new and vexing problems. The more recent acceleration of steel imports has come at a time of an extended boom in the American economy. Steel production in 1966 was at an alltime high, having reached 134 million tons. Despite this increased production, however, steel employment has substantially declined. In 1952, steel production stood at 93 million tons and employment at 545,000 workers. Employment in 1966 was only 446,000 workers, 99,000 less than in 1952, although production had increased by 41 million tons. Of course, this is the result of increased productivity and is an economic factor decreasing the need for manpower in the steel industry regardless of the import situation.

Without the increased demand for steel accompanying our present economic growth, the impact of automation on steel employment would have been intolerable.

The import situation, therefore, becomes all the more critically when we realize that the American steel industry during the next few years intends to accelerate its present investment in technological improvements. Such improvements are essential to keep abreast of developments in other countries, and to keep our industry competitive. Last year these capital expenditures exceeded $2 billion, and we expect that they may be as great or greater this year. These investments will result in greater productivity of manpower. If demand does not keep pace with the new productivity, there will be even further decreases in the ranks of steelworkers.

Our problem, then, is one of wondering whether growth of the American economy will be strong enough and sustaining enough to generate a domestic demand for steel to compensate for the increased productivity. Steelworkers who have suffered deep levels of unemployment in this decade, have good reason to doubt whether such a balance can be achieved. This problem is compounded as imports eat into domestic demand. As a matter of fact, we have strongly supported expansionary fiscal and monetary policies to stimulate economic growth. The political climate in Congress is not always sympathetic to such policies.

We are, therefore, justifiably concerned that increased imports might capture an even more disproportionate share of that demand. If this should happen, then even more jobs will vanish.

I have listened, Mr. Chairman, with a great deal of interest to some of the statistics that have been heaved around here by particularly some of the gentlemen who hail from the various campuses of the universities of our country who talk about the increase in the number of people who have found jobs in the steel industry and the few people who have been laid off.

They never take into consideration the invisible firings from which we are suffering, and that is those men who have not been hired as a result of the impact of foreign steel to our shores, and this runs into many, many thousands of jobs for Americans which are not available at this time.

I mention the fear of a "disproportionate share of the market," because of the pressures under which the world steel community is currently operating. I emphasize again there is an extraordinary overcapacity in steel production and a lack of demand in foreign home markets. It is no wonder, then, that Japanese imports to the United States increased to 45 percent of our total import market. Moreover, it is estimated that by 1970 Japanese capacity will outstrip its own rate of consumption by about 30 million tons.

Furthermore, Japan is not alone in this situation of an imbalance between capacity and domestic consumption. The steel-producing nations of Western Europe may well match Japan with similar levels of surplus capacity. We think it is unfortunate that this overcapacity exists because it causes a serious strain on trade relationships. Overstimulation of investment in steel productive capacity results in difficult employment pressures in the foreign countries and awkward international trade relations. When faced with an ever-widening gap between capacity and consumption, the industries of these countries are propelled by a compulsive urge to maintain production by expanding their share of the export market through drastic price sacrifices.

I noted the question which the senior Senator from Illinois addressed to every one of the witnesses. I say to him that as much as I admire this full-employment and full-production policy of foreign companies, I realize that ultimately it will be the members of my union who will have to bear the brunt of uncontrollable and unreasonable expansion of foreign production capacity and increased exports to our shores.

Concern over excess capacity is not just an American problem. A recent article in the November 1965 issue of the Economist states:

> Steel producers are asking themselves if they must adjust to living permanently in a state of near recession . . . the main reason for the situation is the reaction of producers, particularly European, to overcapacity . . . Attempting to sell their production at any price, the main producing countries found themselves undercutting in each others' home market.

The United Steelworkers of American must react to the threatened job loss that such a situation can produce, as highlighted by the following factors:

1. STEEL INVESTMENT POLICY

I mentioned before the American steel industry has embarked upon a policy of large-scale investment for modernization. There has been criticism that the industry has not been aggressive enough in keeping abreast with technological advances. I do not join in this criticism. We all are aware that technological advances result in fewer man-hours per unit of production because of productivity increases. Hence, only a growing domestic demand will absorb our manpower, which otherwise would be displaced. During this period of modernization, we simply cannot afford to see an excessive capture of that increased domestic demand by foreign producers. We do not oppose their access to that increased demand, but we have now come to the conclusion that

10 percent of that market is indeed reasonable enough. Otherwise, accelerated technological investments will be paid for through the loss of American steelworkers' jobs.

2. PERIODS OF RECESSION

Faced with this overcapacity problem, our concern becomes particularly crucial if there is an economic downturn and the foreign producers retain their current tonnage share of the market. Their percentage share of domestic consumption then would rise disproportionally to the detriment of the American industry, and steelworkers. The higher percentage levels of imports could be disastrous. Four times since the end of World War II, the steel industry has been plagued by recession.

During some weeks, production dropped to below 50 percent of capacity. As many as 150,000 steelworkers have been laid off and large numbers of those on the job were employed on short workweeks. Fortunately, during each of these occasions in the past, steel imports were not a serious problem, either because they were still low, or because steel exports were still large. Now, however, the situation is reversed. If, for any reason, the steel industry should again fall victim to a recession, and employment tumble, as in the past, then it would be unacceptable for imports to continue at the present tonnage rate.

3. INVENTORY BUILDUP

I would like to tell you something. Every time a steel labor contract approaches expiration, demand for our product rises almost geometrically as steel consumers build up large inventories. This, of course, is especially true if the negotiations take place during a period of high economic activity.

Steel consumers raise their inventories and stockpile as a hedge against a possible steel strike. So, domestic production is pushed to the utmost and imports rise beyond all measure. Sometimes exporters take advantage of this situation and insist upon long-term commitments to satisfy the eager American customer.

Senator DIRKSEN. Mr. Molony——

Mr. MOLONY. Yes, Senator?

Senator DIRKSEN (continuing). Would you know whether shipments from abroad are made on contracts that were negotiated years ago? You speak of these long-term commitments. Sometimes exporters take advantage of this situation and insist upon long-term commitments to satisfy the eager American customer is what you say.

Do you know whether shipments are being made now on contracts that may have been negotiated several years ago?

Mr. MOLONY. I have knowledge, Senator, at this very moment, that American users of steel are making 1-, 2-, and 3-year contracts with foreign producers of steel in anticipation of a strike in 1968.

Senator DIRKSEN. Thank you.

Mr. MOLONY. In any event, the moment it becomes clear that there will be no strike and, incidentally, gentlemen, there has been no strike in the steel industry for the past 8 years, then domestic production drops sharply, and tens of thousands of American steelworkers are

laid off. Imports, on the other hand, tend to continue at the new, artificially high level.

Steel imports dramatically increased during the prolonged negotiations of 1965 from 6.4 million tons in 1964 to 10.3 million tons. Furthermore, the characteristic of such an increase is that it remains fixed at the higher level. It then becomes a new floor upon which additional imports are built. Already there are estimates, as we approach the negotiations of 1968, that there will be a minimum of 15 million tons imported next year.

In 1965, after the last inventory buildup, some 65,000 steelworkers were laid off, while steel imports were coming in at the rate of about 1 million tons a month. Providentially, demand continued high, and even expanded, so that, within 4 or 5 months, or about the beginning of 1966, the laid-off steelworkers were all recalled to their jobs. But in 1968, when our present contract expires, we may not be so fortunate.

LEGISLATIVE ACTION

We have been reexamining our posture with respect to liberal trade policy for the past few years. As the imports continued to rise, there were many who urged us to adopt the protectionist position of higher tariffs.

We rejected this approach. While we had not yet formulated any new position, we made repeated entreaties to union, industry, and government officials abroad to moderate their accelerating seizure of the American steel market. Our international representatives urged voluntary action and international steel conferences within the framework of the General Agreement on Tariffs and Trade. But all was to no avail.

Mr. Chairman, we now urge passage of S. 2537, with modifications which I will suggest, so as to establish an orderly steel market—one which could well have been negotiated under a voluntary agreement, if there were the inclination. By establishing a quota system, which is flexible and generous enough to grow with the economic expansion of the American market, we are, in effect, guaranteeing in this legislation to foreign producers access to the American market on a reasonable basis.

Section 8 of the bill is designed to take care of the problem of inventory buildup during negotiations, since no more than 60 percent of the annual quota in any one category from any one nation may be utilized during any 6-month period. I would call attention, however, to the fact that, under this bill, during a recession, imports would still be permitted at abnormally high levels for that year. I suggest that the formula be modified if it is possible to correct this condition.

Another concern which we have about this legislation is that there will be pressure to get in under the quota deadline. This may actually stimulate domestic buyers to go overseas before the bill becomes effective. We recommend, therefore, that a provision be added to deal with this contingency.

The bill also provides that the Secretary of Commerce should give a report to Congress about the impact of the quotas after 5 years. Perhaps we can think of the quota system as being on a probationary basis. The 5-year probationary period is particularly advisable. It

may give our own industry the opportunity to increase its technological improvements, hopefully without job loss, while, at the same time, the reasonable limitation of access to the American market may decrease the tendency for overexpansion of world capacity.

IRON ORE

Senators, our main concern in appearing before you, as I mentioned earlier, is the protection of the jobs, and I might add, the wages, of the members of the United Steelworkers of America. However, our union includes not only basic steelworkers but also iron ore miners. For years, our miners have complained about job losses due to the importation of iron ore by American steel companies from foreign properties totally or partially owned by them.

Their job loss is no less real—especially when there is a downturn in steel production without a proportionate reduction of iron ore imports. Over 36 percent of domestic ore consumption—44 million tons—was imported last year.

Although conditions on the iron range have improved with the exploitation of taconite, we would recommend nonetheless that a quota system be devised to provide similar safeguards for iron ore miners.

We are aware also that there is a very close economic relationship between Canada and the United States. Just recently, a treaty was signed eliminating tariff barriers in the automotive industry. We would recommend that the application of the quota system of this bill not apply to Canada.

Before I conclude, Mr. Chairman, I wish to indicate that we are aware that this committee is currently deliberating upon a social security bill, the need for which we wholeheartedly endorse. As a matter of fact, we are advocating additional provisions, Senator Hartke, for the benefit of workers, including those with long years of attachment to the work force, which pensions may be decreased if they retire prior to the age of 65. We would submit, however, that the steel imports problems should be considered separately from that legislation, so as not to jeopardize the chances of increased benefits for our senior citizens. The problems about which we testify today require deliberation and correction on their own merits.

Mr. Chairman, I appreciate the opportunity to appear before this committee to express the views of the United Steelworkers of America on an issue which lends itself to no easy solution.

The legislative remedy which we seek may be interpreted by some as being protectionistic. We reject that criticism. It represents rather an attempt to forestall a demand for higher protective tariffs by moderating the degree to which the foreign producer increases his share of our market. I emphasize the word "increase" because the bill does provide for a greater participation in our market as the economy grows.

The bill is tailored to the steel industry in that it gives us a 5-year moratorium to allow the malady of overcapacity in world production to adjust itself. It, therefore, allows the principles of freer trade—not free trade—to operate in an orderly and reasonable fashion.

Thank you, Mr. Chairman, for this opportunity.

The CHAIRMAN. Thank you for a very good presentation.

Mr. MOLONY. If there are any questions we would be glad to answer them.

The CHAIRMAN. It is my understanding that about 40 percent of the total cost of producing a ton of steel is the labor component.

Now, the testimony here was that Japan is about $40 a ton beneath the United States on that item, offset by roughly $14 of ocean freight. That leaves this country about $26 a ton competitive disadvantage in our market, roughly.

If that is the case, then I do not see how over any long period of time you can expect any other trend than just a continuing increase in steel imports. Isn't that about the way it looks to your union?

Mr. MOLONY. That is why we are present, Senator Long. That is why we are here.

The CHAIRMAN. So far as you are concerned, thinking in terms of the workers whom you are privileged to represent and speak for, it just means if that trend continues you are going to lose a lot of jobs. It is just that simple, and those are a lot of good, high-paying jobs, are they not?

Mr. MOLONY. Yes, sir.

The CHAIRMAN. If someone said, "Well, if we have more steel imports perhaps we can sell the Japanese more soybeans," which, of course, is fine from the Louisiana point of view; what we would be doing there is trading high-paid jobs for low-paid jobs, would we not?

Mr. MOLONY. If I were a representative of the United Steel and Soybean Union I certainly would be confused at this moment. [Laughter.]

Mr. MOLONY. But my loyalty, my interest and my devotion is to those members of ours who are employed in the steel industry, and at the risk of having my statements thrown back at me next year in negotiations with my friends of industry, I would not be a party to trading good jobs for bad jobs.

The CHAIRMAN. If the whole trend were continued we would be trading relatively high-priced jobs for relatively low-paid jobs.

Mr. MOLONY. I agree with you, Senator.

The CHAIRMAN. The same thing all over again. Generally speaking, the idea of trade is to make it a good deal both ways.

Can you see where it is a good deal for us to do it that way?

Mr. MOLONY. I think it is a good deal.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I have no questions, Mr. Chairman.

Senator HARTKE. I want to thank you for a good statement and thank you for your comments and also for your suggestions.

As I made it quite clear, I am not interested in putting this onto the social security bill, I guess you know that. There has been some comment that if these quotas are applied there will be massive retaliation from the foreigners, a position that was taken by some of the importers and also by some of the people in the administration.

Do you expect such massive retaliation?

Mr. MOLONY. I really would not know, Senator, other than the statement that was made by a Mr. Stitt, I believe, who spoke for the Japanese-American Trade Council. I think he indicated that there would. He said he was not speaking for the Japanese Government.

Nonetheless, I see no reason why there should be retaliation. The quota formula, which is incorporated in this bill, is very limited, and if there is retaliation, I think it would be limited, that there is a form of retaliation among these foreign steel producers that takes the form of a complete price collapse of steel products in the European market.

As I mentioned, they are undercutting each other in their own countries, and the reaction to this bill, which I pray would be enacted into law, would be to bring them to a conference table.

Now, this point was raised about a world conference of steel producers. A lot of opinions were expressed. If I may, Mr. Chairman, I would join in that and ask to express my own opinion.

You will never get a world conference of steel producers unless legislation of this kind is first enacted into law, because no country or no industry in any country will voluntarily agree to restrict its exports to our country. They will only do so in the face of this kind of legislation.

You cannot persuade people to carry the basket to the guillotine as they go to get their heads cut off. So you have to let them know what is going to happen. [Laughter.]

Senator HARTKE. I think this is one of the problems I argued about the Kennedy round, though.

The Kennedy round dealt with tariffs, it did not deal with nontariff items whatsoever.

Let me ask you another question.

If there is a quota bill passed do you think this will result in higher prices to the American consumer?

Mr. MOLONY. Well, of course, the steel industry, as you well know, Senator, has been damned well able to raise prices without quota means in the past. They did not need any impetus to do that.

My guess would be, in reply to your question, sir, that the passage of this legislation would make it less likely that prices of steel would be raised because our domestic steel industry would have a greater share of the market, and they will have not exactly a guaranteed return on their investment, but at least some kind of an assured return on their investment which would enable them to go ahead with this technological improvement and, prayerfully, give us another wage increase. [Laughter.]

Senator HARTKE. Let me come back to the workers, and I am glad you corrected the record as far as employment is concerned.

I became a little disturbed about the prior witnesses' obvious lack of complete frankness about the employment figures. I mean, hopefully, if the production goes up in steel and if consumption goes up, I would hope you would have more union employees who could increase their productivity. I mean you would have an increase in population, and it is sort of unfortunate in a way to see that the total number of employees is declining while the total production is increasing. That sounds very good so far as productivity is concerned, but the rest of these people that, as you said, that invisible unemployment, is a factor, and to me, although there is no massive unemployment in the steel industry today, there is massive invisible unemployment.

Mr. MOLONY. There is indeed, sir.

Senator HARTKE. I thank you for your testimony.

Mr. MOLONY. Thank you.

The CHAIRMAN. Thank you very much, sir.

Mr. MOLONY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Dirksen said he particularly wanted to hear one of our witnesses scheduled later on, and to accommodate Senator Dirksen, I would like to hear from Mr. Swardenski, who represents the Caterpillar Tractor Co.

I see you are accompanied by Mr. Eckley, Mr. Robert Eckley.

STATEMENT OF ROBERT S. ECKLEY, MANAGER OF BUSINESS ECONOMICS, CATERPILLAR TRACTOR CO.; ACCOMPANIED BY WALTER SWARDENSKI, DIRECTOR OF PURCHASING

Mr. ECKLEY. My name is Robert S. Eckley, manager of business economics at Caterpillar Tractor Co. for the past 13 years. Prior to joining Caterpillar, I taught economics at the University of Kansas and at Harvard. I am accompanied by Walter Swardenski, director of purchasing for Caterpillar's worldwide operations, who has had more than 30 years experience in meeting the company's requirements for steel and other supplies.

Caterpillar is one of the largest exporters of goods from the United States. It is also one of the major users of steel, which in turn makes the company one of the leading exporters of steel in the form of products made of steel. As a matter of fact, we export more steel and steel products than any of the steel companies. Consequently, our testimony is especially pertinent to the question of steel import restrictions proposed in S. 2537, although it is relevant to the entire subject of legislation establishing or expanding import quotas on all products. If we wish to export soybeans and machinery, we must be prepared to buy steel and textiles, should there exist an advantage in doing so.

Caterpillar is strongly opposed to the extension of import quotas to steel and other products because of the many harmful results they would bring. The more important effects of steel quotas include: (1) higher costs for steel users; (2) the loss of exports because of higher costs and prices; (3) retaliation by foreign countries, leading to further loss of exports; (4) the importation of more foreign products made from cheaper foreign steel, since they would be more competitive and their importation is not inhibited by high tariffs or quota limitations; (5) a costly, cumbersome, and inevitably inequitable system to allocate what foreign steel is permitted under quota; and (6) a less competitive, a less progressive, and less customer oriented U.S. steel industry. These consequences require consideration by this committee, as well as the misleading facts upon which the proposal for quotas is based.

The steel industry spokesmen make their case on a comparison of basic steel tonnages exported and imported, stressing the rapid rise of imports and the fact that last year the import tonnage exceeded that exported by more than five times. Yet this is considerably less than half the story since a large volume of steel is exported in the form of machinery, metal fabrications, vehicles, aircraft, and similar products.

The value of such products exported is more than 10 times as large as the value of steel imports. As a matter of fact, Caterpillar alone exports around $500 million of construction machinery annually, almost half as much as the value of steel imports that are the basis of the demand for quotas. Caterpillar and thousands of other exporters of

U.S. steel products are deeply concerned about the burdens of steel import quotas, which would fall most heavily upon exporters of steel products and adversely affect the employment of those dependent on export sales. For example, in the case of Caterpillar, about a third of its 47,000 employees in the United States are dependent upon exports for their jobs.

Let us review very briefly the harmful implications of steel import quotas. First, they would create more cost and price inflation, which is already a serious problem in the United States, especially for users of steel. The openly avowed purpose of the steel industry in its drive for import quotas is to prevent steel users from paying less for imported steel. But if we are prevented by law from being prudent buyers, when equivalent quality is available for less, how much more must we pay to subsidize inefficient steel production? With quotas there is no limit, and while the steel industry assures us it is competitive within the United States, it apparently is not competitive enough.

Second, manufacturers of products made from steel, the real exporters of steel, will lose export markets as their costs and prices increase as a result of their inability to seek the most economical sources of supplies. U.S. manufacturers would be placed at a disadvantage relative to their competitors abroad who do have access to cheaper steel supplies, and this would be reflected in their inability to deliver products at comparable prices. How this obvious consequence of import quotas on total steel exports eludes the steel industry is one of the enigmas of this hearing.

Third, the imposition of quotas would unquestionably lead to retaliation and a further loss of export sales. Unilateral abrogation of trade benefits previously negotiated with foreign nations under the General Agreement on Tariffs and Trade will obviously initiate reciprocal action against American exports under the terms of that agreement. Various governments have expressed their intention of taking such action, should the proposed import quotas be established, and they can be taken at their word because America has gained much through trade negotiations under GATT and prior reciprocal negotiations. To use Caterpillar as an illustration, when the Trade Agreement Act was first passed in 1934, we were able to find markets abroad for $6 million worth of machinery. Five years ago when the Trade Expansion Act was passed we were selling $369 million, and now on the eve of further concessions gained in the Kennedy round negotiations, our foreign sales are running at an annual rate close to $700 million. Other machinery manufacturers can tell a similar story. Overseas markets have been growing faster than those in the United States, so there is much to lose by deliberately taking action which will reduce our access to them.

Inasmuch as American exports to Europe and Japan, the chief sources of imported steel, have far exceeded imports in most recent years, it appears foolhardy to invite retaliation against our exports to those areas. Whether the retaliation might come against exports of agricultural produce, machinery, or aircraft is problematical, but it seems likely that steel products of some kind will be involved because of their sheer volume in total U.S. exports. Whatever direction taken, our vulnerability is obvious.

Fourth, to the extent that American manufacturers of steel products became less competitive as a result of steel import quotas, imports of steel products would be encouraged. In general, markets for products made of steel are characterized by low freight costs relative to value, low tariffs in the United States, and increasing international competitiveness. It naturally follows that higher costs for domestic manufacturers would expose a larger segment of the American market—for automobiles, machinery, and similar products—to effective competition from foreign manufacturers enjoying the benefits of lower foreign steel costs. It is even conceivable that American firms with multinational operations might be compelled to import finished steel products or components from their own foreign sources in order to compete effectively with foreign firms in the American market.

Quotas on steel without quotas on steel products do not make good logic—but maybe the steel industry has in mind asking next year for quotas on the products of steel users.

Fifth, an import quota system, as proposed by the steel industry, based on imports in 125 categories over a period of 3 or 8 years, would be very difficult and costly to operate without inequities. In practice, it is unworkable. In the first place, any system based on historical experience discriminates against growing products and growing companies. Moreover, experience gained from governmental allocations during wartime or from the steel industry's own allocation of output during the extended periods when it fell behind in meeting steel demands, does not inspire confidence in the efficiency of such a complicated system.

Sixth, the steel industry and its customers need foreign competition to be efficient in a world in which comparative national accomplishments are measured daily in military capabilities, space achievements, and industrial productivity. It is our candid opinion that the performance of the American steel industry has been less than adequate, until pressed by foreign steelmakers, in availability of product, in competitive pricing, and in research and development. The fact that the first, second, and third largest steel companies in the United States lagged 11, 12, and 13 years behind the leading foreign firm in installing the oxygen conversion process illustrates their technological lethargy, and the lengthy explanations offered have not been convincing. Last February, Mr. Worthington announced at the industry's Congressional breakfast that "we are now spending considerably in excess of $100 million a year on research." That is good, but not terribly impressive—Caterpillar alone spent $66 million on research and engineering last year. Recurrent shortages of steel plate have characterized the midwestern steel market throughout the postwar period. The appearance of foreign supplies has dramatically improved plate availability in the Midwest, and completely revolutionized the industry's rigid price structure on the west coast.

We simply do not believe that the American steel industry is the helpless giant that it has caricatured itself as being in its recent pronouncements calling, first, for a temporary duty, and now, more rigid import quotas. We think it has the resources and the skills to meet foreign competition abroad as well as at home if it would try. In this connection, we are informed that one of the American companies is supplying sheet to Volkswagen in West Germany from the United States. Other opportunities lie ahead.

The American steel industry got far more than it gave in the Kennedy round of tariff negotiations—a 23-percent reduction in the European Common Market, a 20-percent reduction in Britain, and a full 50 percent cut in Japan, while yielding average reductions of only 7 percent in the U.S. tariff. We invite the steel industry to pursue these concessions, and to think in terms of trade expansion, not contraction. If it is experiencing unfair competition, the newly established atidumping procedures may be implemented, as it found last spring in the case of the steel towers from Italy. If excise or turnover tax rebates on foreign exports are a problem, we suggest that it join with other American exporters and seek tax reforms before this committee, rather than attempting to withdraw from the fray—this is simply no longer possible.

In summary, we believe that import quotas for steel would be catastrophic for American foreign trade, cause further inflation in American costs relative to those abroad, and represent flagrant disregard for American consumers of steel products. Foreign competition is to be met, not avoided, any other course would be to turn back from the industrial successes American business has achieved in this century, a wrong step from the steady progress in foreign trade since the trade agreements program was inaugurated more than 30 years ago.

We thank you very much for your patience and opportunity to present this testimony.

The CHAIRMAN. Let me ask you a question or two about your operation.

Do you operate plants in foreign countries?

Mr. ECKLEY. Yes, we have a number of them.

The CHAIRMAN. Can you tell us which countries?
Great Britain, in France, in Belgium, in South Africa, in Australia, and joint ventures in Japan and India.
lia, joint ventures in Japan and India.

In all of these countries we now sell more U.S. exports than we did prior to our investments in those facilities.

The CHAIRMAN. Do you also have plants in the EEC, the European Economic Community?

Mr. ECKLEY. Yes, in France and Belgium.

The CHAIRMAN. Yes.

Do you have plants in Great Britain?

Mr. ECKLEY. Yes.

The CHAIRMAN. Do you have plants in the underdeveloped or developing countries?

Mr. ECKLEY. We have the joint venture in India, and subsidiaries in Mexico and in Brazil.

The CHAIRMAN. What do you find about the productivity of Japanese labor?

Mr. ECKLEY. It has been good.

But our experience is that we would not sell the American workers short in comparison with any foreign producer.

The CHAIRMAN. Do you have any overall impression as to the relative cost factor as far as the production you are getting in Japan compared to what you have here the wage component of the product?

Mr. ECKLEY. We are producing similar products. Our production

there is just about 2 years old, and we have not yet reliable cost figures by way of comparison.

The CHAIRMAN. I see.

Well now, suppose your industry had led in development and research, done research at its own expense and led the world in all that sort of thing, did a better job, produced a better product, but one day finds that either it is going to have to have quotas or go out of business in the United States. What would your recommendation be in a case like that?

Mr. ECKLEY. I think the oil situation is quite unique. I feel that it is imbedded in the public interest with regard to our defense posture. The cost differential in this case is not, however, as it is claimed to be in a number of these applications for quotas, on the basis of lower labor costs. That is not the situation.

The CHAIRMAN. What would your view be, where we had a fine, proud, high wage, efficient American industry which simply is placed in a position that because of cost factors it is subject to being eliminated from the competitive scene unless we provided some sort of protection. Do you think we ought to keep it or do you think we ought to let it go under?

Mr. ECKLEY. I think it would have to be approached on the basis of the situation within that industry. I believe the steel industry is a very fine industry that has been catching up rather belatedly from some lagging interest in its own facilities, in its own technology.

I do not think we should excuse the errors of people nor do I think we owe them a profit just because they are here.

The CHAIRMAN. You are an economist, are you not?

Mr. ECKLEY. Right.

The CHAIRMAN. I assume you had some degrees on that. What degrees do you have?

Mr. ECKLEY. I have a Ph. D. from Harvard University.

The CHAIRMAN. So you come well-qualified in economics, and you advise your company about international trade and trade policy, I am sure, not only with regard to this country but with regard to your problem with other nations.

Now, just looking down the road, what should American trade policy be 10 years from now? We have tried as a matter of national policy to help the whole world—$140 billion of American aid, and we've had a trade program in many instances seeking to help the other fellow to an even greater extent than trying to do something for our own advantage. We find as a result of these policies that in large measure, and as a result of the emergence of other countries through their own hard work and effort and toil, we have become a high-cost producer of most items, of electronics, of iron and steel products, of precision machinery, cameras, oil and petroleum products, petrochemicals, and products made from them, and even a great number of agricultural products.

What policy would you think this country ought to adopt with regard to its major industries that are no longer the low-cost producers in the world?

Mr. ECKLEY. Well, some products we will be high cost on, I think those should be foregone in favor of those products we are more efficient in producing. This process has been going on for decades now.

We are still in a very strong foreign trade position. I have seen no reliable study which indicated we would not continue to be 5 or 10 years ahead in pursuing freer trade and pitting ourselves against competitors on the basis of our management, our technology, our workers' skills.

This is true in agriculture as well as industry. Soybeans from Louisiana or from Illinois are, perhaps, our best examples of very high productivity and not produced by low-wage farmers, I might say.

The CHAIRMAN. How would you go about deciding which industries you wanted to keep alive and which ones you wanted to see go under?

Mr. ECKLEY. I would like to see the marketplace decide that, sir, on a competitive basis rather than to arbitrarily make a decision that we will keep this one or that one, insofar as we are not talking about national defense.

The CHAIRMAN. But it would seem to me if you are talking about just pure economics, what you are talking about then would be that the United States would not be a producer of your product nor automobiles nor electronics. We would be a producer of agricultural commodities, which is a low-wage industry, and we would be competing with a great number of others who can tremendously increase their production.

For example, I know that with our methods over there in South Vietnam, if the Vietcong would leave us alone, we could increase their rice production by sixfold and maybe tenfold for them. But we would be competing in the area where we can be most competitive, that would be with good land and good weather and good climate, we would be an agrarian nation, and we would be importing these commodities such as yours which command the high wage structure in this country.

Now, do you see it differently from that?

Mr. ECKLEY. Yes, very much so.

The American automobile industry is doing quite well despite the fact that there is a low tariff on foreign automobiles. We still prefer General Motors, Ford, Chrysler, in a very overwhelming percent of the vehicles purchased.

Our greatest strength in foreign trade lies in the area of machinery, of electrical equipment, of this kind of goods.

Even in an area such as photographic equipment, the former chairman of Bell & Howell believes that we can be quite competitive if we try.

The CHAIRMAN. I have noticed how some companies have found that it is advantageous to manufacture their parts overseas. Doesn't Singer manufacture most of their parts overseas now?

Mr. ECKLEY. That is right.

The CHAIRMAN. They assemble them here. I assume that was a competitive situation that dictated that?

Mr. ECKLEY. Yes.

The CHAIRMAN. I was just wondering whether you did not think that trend is likely to continue if we just leave it up to pure free trade.

Mr. ECKLEY. I think with freer trade we can stand on our own. I would be willing to pit the progressive American company and American worker against his counterpart anywhere.

The CHAIRMAN. Well now, do you insist on that answer even when the other fellow is not free trading with you?

Mr. ECKLEY. Not at all, sir. I think we should be very vigorous in pursuing fair trade policies in both directions.

The CHAIRMAN. I am reminded somewhat of a joke I once heard from Irvin Cobb. He said this old Kentucky colonel went out to have a duel with a man who had caused him some trouble. He stepped off 20 paces, and when he turned around that scamp was standing behind a tree.

"What did you do about it?" He said, "Quite naturally that throwed me behind a tree."

It seems to this Senator that when the other fellow is not free trading with us we have to take another look at what our policies are going to be.

Senator Dirksen.

Senator DIRKSEN. No. I have had a discussion with him.

The CHAIRMAN. Thank you very much.

Mr. ECKLEY. Thank you.

The CHAIRMAN. Our next witness is Mr. Nelson Stitt, counsel for the United States-Japan Trade Council.

STATEMENT OF NELSON STITT, COUNSEL, UNITED STATES-JAPAN TRADE COUNCIL, ACCOMPANIED BY DAVID HOULIHAN AND NOEL HEMMENDINGER

Mr. STITT. Mr. Chairman, I am Nelson Stitt, director of the United States-Japan Trade Council. Having said that, and having listened to the testimony this morning, I only wish I had brought a suit of armor with me.

The CHAIRMAN. May I say, Mr. Stitt, I have the highest regard for Japan. They are very fine people. I had the opportunity to visit that nation for about a week a year or two ago at the International Monetary Fund Meeting, and I came away with nothing but admiration for the Japanese. They are fine, hard-working people, and in world trade they are going to give not just this country but a lot of others some real first-class competition. They are doing it now and will do it in the future. I am proud to trade with them. I would just like to see to it that it is a good deal both ways.

Mr. STITT. I would like to introduce Noel Hemmendinger and on my right, Mr. David Houlihan.

Senator BENNETT. A couple of good Japanese names.

Mr. STITT. I desperately need 3 hours to say what I would like to say here today.

The CHAIRMAN. You have a rather lengthy statement here.

Mr. STITT. I do not intend to cover the statement.

The CHAIRMAN. We will certainly undertake to study it and suggest——

Mr. STITT. I hope to keep my testimony within the time allotted. However, I would urge the members of the committee here and absent to please read my statement, sir.

Since I am going to give a truncated statement, it may be somewhat disjointed. Furthermore, although I am appearing in the section

of textile witnesses, our council is concerned with the bulk, the whole trade between the United States and Japan, so I intend to leave most of the textile testimony to later witnesses. We earnestly submit that quantitative controls over any significant portion of—or any wide range of—American imports would spell the end a whole era of expanding trade and would introduce a new period of inward-looking, self-impoverishing policies. If the bills before this committee were to be adopted and enacted, we think this would have most unfortunate consequences for the economy of the United States, for two main reasons.

First, it would tend to erase the invaluable benefits of imports in helping to maintain moderate price levels in the United States. This effect is much greater than is indicated by the quantity of imports because they very possibility of imports exercises a restraining influence upon prices.

In this connection, I am offering as a part of my testimony an exhibit, a pamphlet we published in 1966 called Imports and Inflation, and I believe the members of the committee have received copies of this.

On page 7 of that pamphlet is a table entitled "The Effect of Steel Product Imports Upon U.S. Steel Prices." This table dramatically shows the inverse correlation between the volume of imports and the extent to which steel prices have increased. Similar examples could be drawn from many other fields.

Inflation brings a wide variety of economic evils, the most obvious of which is that ordinary people have to pay more for the products they buy.

We also present as an exhibit and part of this statement another pamphlet published by our association called "How About the Consumer?" This pamphlet draws attention to the important service rendered by imports, very largely ignored in most discussions of trade policies, of making a wider variety of products available at lower prices.

Second, the enactment of the pending bills would be most unfortunate for the American economy because it would inevitably lead to a serious decline in American exports. At this point I am offering as part of my testimony two other publications of our council, "U.S. Imports From Japan: 1966" and "U.S. Exports to Japan: 1966." These also have been provided to the members of the committee.

Note first that iron and steel imports from Japan total $538 million in 1966.

Sceond, textile articles were imported to the value of $243 million and clothing to the extent of $167 million, a total of $410 million. Thus, the proposed bills in textiles and steel alone would control almost $1 billion of American imports from Japan in 1966.

Since 1960, the U.S. trade with Japan both ways has totaled $22 billion, with imports and exports almost evenly balanced.

The balance over the period has been in favor of the United States and the trend in 1967 is decidely more favorable to the United States than last year. Japanese exports to the United States in 1967 are up only 2 percent in the first 8 months over last year while U.S. exports to Japan are up 20 percent over that same period.

Looking now at 1966 exports to Japan, we see that, of $2.3 billion in goods the United States shipped, over $408 million consisted of food and feeds: wheat, corn, grain sorghums. Other agricultural exports were cotton, oil seeds, mostly soybeans—incidentally, sir, some of those soybeans came from the State of Louisiana—tobacco, hides and skins to reach a total of about $950 million in agricultural products alone. In 1967 Secretary Freeman has predicted, and I entirely agree with him, that over $1 billion in American agricultural products will have been shipped to Japan. Other big categories of exports, machinery and transport equipment, especially aircraft, office machines, power generating machinery and other sophisticated objects such as computers—all the products of our most productive, highest paid industries.

These figures are a brief illustration, which I can expand at length, of the fact that America ships to Japan the products of its most efficient industries, its farm products, its computers, its aircraft, and many other things, and receives from Japan those products in which the United States is not necessarily inefficient or even less efficient than Japan but for which the comparative advantage tends to favor that country.

If we choose to deny American markets for Japanese steel, Japanese textiles, and Japanese miscellaneous manufactures of various kinds which are also produced in the United States, then we are denying to our most efficient producers the opportunity to sell their goods abroad. And it is the American people as a whole that will be the poorer for it.

Let me dwell very briefly on the unfortunate consequences of the adoption of these proposed bills for our international relations. If such measures extend over a wide variety of products and if they are not based upon serious and well-founded dangers of intolerable dislocations within the economy of the receiving country—the United States in this case—then such measures destroy the structure of international economic cooperation. As the largest and wealthiest trading nation, the United States sets the pattern. Adoption of these measures would also have the most serious possible political consequences in terms of the ability of the United States to wield its power effectively toward peace and international cooperation. In no area would this be more serious than in the far Pacific and Japan.

We tend to dwell more on our problems than our successes. But it is important to note that the postwar history of Japan is a remarkable success story for both the Japanese people themselves and for American policy toward that nation. From the ashes of defeat and destruction, Japan has achieved a modern technological society—comparable in many parts to the United States and to Europe—the highest economic growth rate of any country in the world, and a democratic political system. It is a shining beacon to all the peoples of the underdeveloped world, particularly in Asia, and—most important for present purposes—it is a vital part of the U.S. security system. Our naval vessels use the ports of Japan and one of our most important oversea airbases is located by Japanese consent on Japanese territory, Okinawa. At this very moment the Prime Minister of Japan——

Senator HARTKE. Could I interrupt him at that point?

Did you say the airbase is located on Japanese territory?

Mr. STITT. By Japanese consent on Japanese territory.

Senator HARTKE. Okinawa is Japanese territory?

Mr. STITT. We conceded it in 1952, in the peace treaty. Residual sovereignty in Okinawa resided in Japan.

The CHAIRMAN. I was under the impression they did not give us any consent to go in there.

Senator HARTKE. That is what I thought.

The CHAIRMAN. Maybe I was in error. Go ahead.

Mr. STITT. At this very moment the Prime Minister of Japan is on a visit to South Vietnam.

Finally, we must remember that Japan's economic dependence on the United States is much greater than U.S. dependence on Japan.

Moving along to the subject of import quotas, the inherent vice of all quotas is, of course, that they distort the normal patterns of trade and do not permit market forces to operate freely. It is hardly necessary to point out that the principle of governmentally fixed limitations on imports for a wide range of goods is altogether opposed to the principles of economic freedom under which this Nation has grown great and is much closer to the cartel philosophy that the United States deplores when practiced by other nations.

One of the reasons for the vigorous growth of the U.S. economy is that it has resisted the notion that any group of producers has a fixed right to a share of the market, whether it be threatened by technological innovation, a shift to lower wage areas of the United States, improved transportation, imports from abroad, or any other economic factors.

Americans have bitterly resisted internal controls over the economy and when they become unavoidable such as in World War II, the American people got rid of them as soon as possible.

Proposed legislation nevertheless would install similar odious controls over the import trade of the United States involving not only the limiting of imports but a vast and complex bureaucratic machinery. We suggest that this committee ask the Department of Commerce and the Department of the Treasury how many people are employed in the administration of the controls on cotton textiles, how many man-hours are spent, how many pages of publications are spewed forth, and what the administration of this one program costs the taxpayers of the United States.

Most authoritative on this kind of action was the recent comment made by George Ball, who was Under Secretary of State when the multilateral cotton textile agreement was made. After a question on this subject was raised during hearings of the Subcommittee on Foreign Economic Policy of the Joint Economic Committee on July 20 this year, Mr. Ball had this to say:

> You touch on a very sore point, Mr. Curtis, because I invented and negotiated the cotton textile agreements and it has always been on my conscience. I think it was a bad thing, but I did it only because if I had not I was very much afraid the Congress was going to impose mandatory quotas which would have been even worse.

We respectfully suggest that proposals such as the Smith bill, the Muskie bill, or the Dirksen proposal which would establish a generalized formula for triggering some sort of limitation on imports are not in the national interest. As soon as you seek to establish a set of standards that would make relief mandatory at the behest of every

industry whose members think it should have relief, then you have struck at such a wide area of imports that the result is the destruction of present trade policy.

Now, I would like within the time remaining to move along to some of the more specific proposals, sir, and I would like to start with the proposal from the distinguished Senator from Indiana with regard to import quotas on steel.

Senator HARTKE. Mr. Chairman, before we proceed to that, I would just like to know how much time are we going to have for questioning before we go to lunch? Are we going to go right through?

The CHAIRMAN. I think we would hear this witness and then go to lunch.

Senator HARTKE. With questions? I am certain I cannot finish with him in time to have lunch before a little bit later——

Mr. STITT. I am certain also, sir.

The CHAIRMAN. Well, I will do my best to accommodate you, Senator.

Senator HARTKE. It would be all right with me.

Mr. STITT. My next section is entitled "No Need for Import Quotas on Steel."

During the past several years——

The CHAIRMAN. Could I just ask you some questions right now that very much concern me and then I will ask Senator Hartke to chair this hearing. I promise you I will faithfully read every word of your prepared statement because you have got a very thoughtful statement here and it does credit to you and your association.

It is my impression, and I may say the steel area is one where the Senator from Louisiana, and a number of us, may not make as complete a statement about it as we want to because the fact of the matter is we do not manufacture much steel in Louisiana. At the same time we want to do what is right.

Now, it is my impression that the steel people are more concerned about what may happen in the future than what has happened to this moment, and they see Japan in the process of doubling its steel capacity which it is probably a good thing for Japan to do. For example, here is a projection—this is a pamphlet entitled "Steel Imports Problem," by the American Iron & Steel Institute with offices at 115 42d Street, New York. On chart 9 in this book they demonstrate what the present production of Japan in steel products is and what their consumption is. They project them both and it would appear that the Japanese production—this Japanese increase in capacity—will be consumed in part in Japan but a substantial portion of that increase will have to be absorbed in some other market.

Now, can you just tell me where do you expect this excess Japanese production to go insofar as it exceeds Japan's consumption?

Mr. STITT. Before I try to answer that question, let me say I have little faith in projections. There are a lot of plans, you know, that go astray. A lot of people talk big and do not have the money to produce when the time comes to build the rolling mill equipment. So I do not buy all of the talk you hear about the planned——

The CHAIRMAN. It takes a while to build these mills and some of this projection would necessarily be accurate, I am sure.

Mr. STITT. Second, let me say this: As you know, Japan has become an industrial nation. However, the per capita consumption of steel

within Japan has not yet reached half the per capita consumption of steel within the United States. They hope to reach the level of Europe by the year 1972, which is still below the United States.

As Japan industrializes, builds its automobile industry, shipbuilding industry, as it builds the massive set of highways and all the other plans it has, there will be a tremendous need within Japan for steel. Certainly parts of that capacity will be exported. Japan must earn dollars to buy soybeans or oil products from Louisiana.

The CHAIRMAN. My understanding of the theory of pure economics is that when a nation becomes a high cost producer, it loses its markets even domestically and in effect goes through the wringer. Its wages must come down and some industries are destroyed. Its profit must come down, wages come down, it must become a more efficient producer and eventually when it comes out of the doldrums it has lower costs so it can compete again.

Now, of course, you and I know that we are not going to let that theory of pure economics operate that way.

We have minimum-wage laws and full-employment laws, and various and sundry devices available to us to keep that from happening.

But in the long run, just looking down the road, we are in prospect of becoming a high cost producer of a great number of items, even including electronics, as compared to Japan.

I mentioned I was in Japan at the time of the International Monetary Conference. One of the bankers there, observing the conference for one of the big New York banks told me that 5 or 10 years down the road Japan is really going to give the trading nations a real run for their money on just a great number of things.

Now, as far as our interests are concerned, when we see that various nations can produce steel more cheaply, and produce textiles more cheaply, electronics more cheaply, produce automobiles more cheaply, farm machinery more cheaply, produce petrochemical products more cheaply, what is the answer to the $64 question? What would you suggest, as one who is interested in expanded trade that the answer should be for that problem?

Should we subsidize exports in order to pay for what we are buying from other countries, or should we protect certain industries? Just what do you think a sensible U.S. policy would be?

Mr. STITT. With all due respect, Mr. Chairman, I don't agree with some of your assumptions. First, I believe you misstated the theory of comparative advantage. It is not that we have to drop our wages in order to compete in the world. As a matter of fact, let's face up to it, we are net exporters of anywhere from $3.5 billion to $4.5 billion per year, not because we are inefficient or a high cost producer, but because we are the most efficient producers in those products.

The CHAIRMAN. You say that we have a favorable balance of trade. That Canard ought to be put to rest right now. If you include the ocean freight and the cost of insurance on things we have to bring over here, and exclude foreign-aid shipments, we don't have a favorable balance of trade.

Now, we do have money coming to us because of American investments overseas which would put us in a favorable current account position. But then, if you go ahead and complete calculation, put your

tourist trade on the scale along with it, we come up with an unfavorable balance of payments.

Mr. STITT. Payments: yes, sir.

The CHAIRMAN. So, no matter how you look at it, we are in a minus position and the only way you can put us in a plus position is to do it the way the State Department does it and put your balance of trade on an f.o.b. basis, which makes no sense at all if you are trying to see whether you are plus or minus. The only reason we keep imports on that basis is because we assess our tariffs on that basis, but if you want to see whether you really came up with a plus or minus on trade, you would have to put the ocean freight you are paying in there and you would have to put your insurance in there.

Mr. STITT. Mr. Chairman, that is about 10 questions.

First, with the ocean freight. I am talking about balance of trade. You are talking about balance of payments. The biggest plus factor in our balance of payments is the trade balance. The biggest plus factor——

The CHAIRMAN. You don't include the shipping in that?

Mr. STITT. It comes in the invisible account. It is not left out of the balance—out of the balance of payments. Our costs of ocean freight and marine insurance isn't wiped out because it doesn't show in the balance of trade. It shows in the invisible account under shipping and insurance.

The CHAIRMAN. Well, you are speaking for Japanese trade. Does Japan keep their balance-of-trade figures on a c.i.f. basis or f.o.b. basis?

Mr. STITT. Their exports are f.o.b., their imports c.i.f. I think it is the wrong method and actually when they calculate the balance of payments, they show the trade balance in a different manner. In specific answer to your question, they show the exports as f.o.b. and the imports c.i.f.

The CHAIRMAN. How do we report ours?

Mr. STITT. F.o.b.; f.o.b., which is the fair basis.

The CHAIRMAN. Now, you have brought us your figures here and your calculated U.S. imports.

Mr. STITT. F.o.b., Bureau of Census.

The CHAIRMAN. You calculate U.S. imports on an f.o.b. basis and you calculate our exports to Japan on c.i.f.

Mr. STITT. No, sir.

The CHAIRMAN. That gives you a 10-percent advantage.

Mr. STITT. Both of these are drawn from Bureau of Census statistics, and they are both on an f.o.b. basis, both our exports and our imports.

The CHAIRMAN. Yes. This committee has been criticizing Census for keeping those figures that way, too.

Mr. STITT. How you report them, Mr. Chairman, doesn't really matter too much, as long as you understand that in the balance of payments, freight and insurance appears whether it appears in your trade figures or appears in the invisible account.

The CHAIRMAN. It makes a 10-percent difference in what you come out with.

Mr. STITT. You would be interested to know——

The CHAIRMAN. That is, there is a difference of 10 percent that I am talking about that these figures don't reflect. The Commerce Depart-

ment keeps using this erroneous set of calculations, knowing that that is how we figure our tariff, but if you want to see whether you have a favorable balance, you have got to put the other factors in.

Mr. STITT. Let me add one interesting note. In the import-export trade of Japan, less than 50 percent is carried in Japanese bottoms. They have a deficit in their shipping account also.

The CHAIRMAN. What percentage is carried in our bottoms?

Mr. STITT. I don't know. I would be happy to get the figure for you.

The CHAIRMAN. Only 8 percent of all U.S. trade is carried in our bottoms, so if we are trying to see whether we have a favorable balance of business for somebody, what we ought to be looking at is that ocean freight as well as looking at all the other items.

Mr. STITT. I am discussing trade, not ocean shipping. I think trade is something a little different than the problem of ocean transportation.

The CHAIRMAN. That is trade. You have got to pay somebody to do it and if it is his ship and not yours, you are paying for it.

Mr. STITT. Yes, sir. If it is his ship and you are using it, you are paying him. If he is using your ship, he is paying you for it. Much of the grain believe me, sir, that goes from the west coast of America, the west coast of the United States to Japan, goes in American bottoms.

The CHAIRMAN. I understand there is a lot that goes in American bottoms, 8 percent of our trade.

Mr. STITT. May I check that 8 percent figure, and perhaps submit one later?

The CHAIRMAN. Yes, sir. What is the remainder of the points you are going to make now?

Mr. STITT. I am going to talk about steel.

The CHAIRMAN. Well, now: I was hoping that you would try to give me the answers to what I am looking at. We here see Japan in prospect of being a low-cost producer of a great number of items which we can produce here in America. Now, we are talking about trade policy and trying to decide what it should be in the future, and I am simply asking you what sort of policy would you recommend, in which direction should we be moving?

Mr. STITT. I would say, sir, gradually toward freedom of trade.

The CHAIRMAN. Then if I were the Japanese, I would take only the items where I am going to make the most money. I will take over electronics, automobiles, iron, steel. I will take over aircraft, and I don't see any reason why it couldn't be done. I would take over petrochemicals and all the high-wage industries, and let the United States produce rice, produce soybeans, produce those things where there is very little incentive to expand because they are low-wage industries.

Now, why not? I mean, if I were in a position to make a decision, why shouldn't I decide to take over those industries where I could make the most money and raise my living standard higher?

Mr. STITT. Mr. Chairman, much as I admire Japan and the Japanese people, I think you are overestimating their ability to take over everything in the world. It is a nation of 100 million people on a few small islands and I don't think in many of the things you have mentioned Japan could ever begin to catch up with the United States.

Of course, technologically, we must remain ahead. That is our genius here and I think it will continue to be so.

The CHAIRMAN. Those Japanese people just stirred a great deal of admiration in this country by showing what they could do in both war and peace, and I see no reason to believe that when their labor is properly trained and properly skilled, they can't produce every bit as well as ours.

Mr. STITT. There is a shortage of labor in Japan today, sir. There is a shortage of labor.

The CHAIRMAN. Which is all the more reason that they would be wanting to use it in the areas where a man uses the greatest amount of machinery to make his efforts the most effective.

Mr. STITT. The wages are going up in Japan at a pretty fast pace. For this reason, of course, as the wages of Japan go up, the labor advantage ceases to be quite so dominant.

Second, they don't have the capital. You are talking about industries where you have to invest millions and billions of dollars, and in Japan the most scarce commodity in the world is money. They pay interest rates that would blow the top of your head off to borrow money. Whereas, our prime industries can borrow from the banks or issue bonds, or go to the market and get money at a fairly respectable rate, although I must admit it has been going up somewhat recently. But the Japanese don't have the money. They have got a shortage of labor.

The CHAIRMAN. Any developing country, and Japan is both a developed and a developing country—I think Japan is both—it is a great nation—especially a nation that does not produce its own requirements of raw materials, will find it necessary to import materials and to export manufactured commodities.

Now, the production of raw materials usually, generally speaking, is in low-wage industries. The fabricating and assembling of machinery, virtually, of all sorts, is for the most part, relatively high-wage industries. Would it just not be logical for Japan, if Japan had the choice, to select those industries where the wages are the highest as areas into which they wanted to move?

Mr. STITT. We want the wages to go up in Japan, sir.

The CHAIRMAN. Of course, we do.

Mr. STITT. Well, they are going up there.

The CHAIRMAN. But I would certainly like to see them go up in such a way that they wouldn't get there at the expense of the wages of our workers here, and that is the kind of thing we find is necessary to learn in these hearings.

Mr. STITT. I do not think it is at the expense of our workers here. You will find in our export commodities, our machinery exports, our jet aircraft, our computers, amount to the highest—among the highest paid U.S. industries.

The CHAIRMAN. If I were the Japanese, I would be getting into those industries, too, and aren't they doing it?

Mr. STITT. They are trying, here and there; yes, sir.

The CHAIRMAN. I notice in one of the bills we had before us, actually cosponsored by Senator Kennedy of Massachusetts, it would ask for protection for the electronics industry, so apparently the Senator from Massachusetts, who comes from a State where they manufacture a lot

of electronics, recognizes the ability of the Japanese to produce in this area, and I have seen some of their equipment, I own some, and it is good stuff. They do a good job.

I just want to know what you would recommend as a policy, and you say you recommend just complete free trade. Fine. I understand.

Mr. STITT. Gradual movement. I am not suggesting free trade tomorrow.

The CHAIRMAN. The United States would then be displaced from its high-wage industries. I don't see any other answer to it.

Mr. STITT. If it is——

The CHAIRMAN. If the choice were left to them. If we make the choice, it is a different matter. We might decide we are going to stay in those industries.

Mr. STITT. Do you really believe, Senator Long, if we built a tariff wall around this country, sealing us off from international competition, and had our own little tight, protected markets, that this would be to the benefit of the U.S. industry?

The CHAIRMAN. Well, I believe that we have brought this great Nation this far, starting from where we did, by providing some protection to our small, infant industries.

Mr. STITT. Like textiles, because textiles had got a tariff back in 1820, I think, or maybe 1850. The textile tariff lobby was busy, and to this day that infant industry is demanding protection. At what stage do they not need protection?

The CHAIRMAN. Well, may I say that as far as this Senator is concerned. I don't know this answer. You are the witness. [Laughter.]

What we are going to have to decide is what lines of production we wish to continue here in this country.

Now, we have arrived at a decision about oil. That doesn't involve Japan one way or the other.

We have a program under the defense amendment and I have a bill that would in effect write that program into law. It is more or less agreed within the oil industry, that this is how it ought to be. In some respect that disadvantages some of the major companies, but they think it is fair and if it appears to be right, they will go along with it.

Now, we are talking about textiles and iron which certainly would tend to pinch Japan if we have any cutback at all. But it would seem to me—we are going to have to decide as a high-cost producer, what we are going to export and what we are going to import.

Now, that decision, I should think in our national interests, can't be left entirely to the other fellow to decide for us. We are going to have to decide some of that for ourselves.

Mr. STITT. Yes, sir. That is one of the main purposes of this committee, of course, and I hope the decisions are judicious and for the best interests of the country. Shall I proceed with steel?

Now, as everybody here knows, up until the long steel strike of 1959, steel product imports were inconsequential. Whatever problems the steel industry had up until that period was certainly not caused by imports because imports were at a minimum. My analysis, therefore, of the import problem in steel is from 1960 to date, since imports have indeed grown and have become consequential.

Now, obviously, the steel industry has not seen a rate of growth in recent years comparable to that of the newer and more dynamic industries, and here I am speaking of electronics, of jet aircraft, computers, and so on. Obviously, the steel industry has not seen the growth of these other industries.

However, I wish you would look at table 1, attached to my statement. In 1960, to the end of June 1967, according to the Federal Trade Commission and the Securities and Exchange Commission, annual steel industry sales have increased by $6 billion. In other words, $6 billion more now than in——

Senator HARTKE (now presiding). What is that percentage?

Mr. STITT. Now, you've got me on the arithmetic, Senator Hartke.

Senator HARTKE. Now, one of your experts can figure that out over the lunch hour.

We will go ahead and stay with it. While he is doing that, tell him to get comparable figures for what you have in your statement here because I will want answers, not excuses, as to why information cannot be given as to comparable figures and percentages on employment, profits, and investment in Japan, percentagewise, as compared to the United States.

Mr. STITT. A good bit of this material, sir, has been provided to Dr. Weidenhammer.

Senator HARTKE. I didn't ask you anything about Dr. Weidenhammer. He is right behind me. If I want to ask him, I can ask him. I know him very well. If you don't want to submit it, it is all right. If you have something you don't want to give this committee——

Mr. STITT. How long will our luncheon recess be? I must get back to my office and get them, what I have of them. You want to know what is the profit rate of the Japanese industry and what is its investment, and so forth. I have figures of that nature which, as I say, have been submitted to Dr. Weidenhammer, but if you want them here, I will have to go back to my office and get them, and I will do that during the lunch period.

(Pursuant to the above question, Mr. Stitt submitted a letter with attachments to the committee. These appear at the end of Mr. Stitt's testimony, p. 927.)

Mr. STITT. I can say this, however. As long as we are going to start figures, the growth in the U.S. steel market has been rather good over the past 6 years, a total increase in shipments—plus imports—of 26 million tons.

Of this increase, the domestic industry got 18.8 million tons and imports got 7.4 million tons.

Now, this doesn't look to me like a great invasion—that it has been called from time to time—when the domestic industry gets two-thirds of the growth over the 6-year period and imports get one third.

Senator HARTKE. What did they get in the previous 6 years?

Mr. STITT. U.S. industry? They got practically all of it because the imports didn't amount to anything.

Senator HARTKE. One hundred percent to two-thirds in a 12-year period.

Mr. STITT. I am talking about growth.

Senator HARTKE. Let's come back and be honest about this. In the previous 6 years, they got 100 percent of the growth, and in the next 6 years they got two-thirds of the growth: so, they lost a third.

Mr. STITT. That is a different figure. Let's say, 10 years ago U.S. steel producers were at 100. They really weren't. Let's say 95. Ten years ago the domestic industy got 95 percent of the domestic market in steel, or 96 percent. Today it is getting 89.

Senator HARTKE. That is right.

Mr. STITT. All right. So it has been a drop, true, of the total market. Imports have absorbed more of the market now than they did 10 years ago, but an absolute increase——

Senator HARTKE. And who got it? What country got the bulk of it?

Mr. STITT. Japan has become the major supplier of steel; yes, sir. Last year, about 45 percent; this year about 41 so far, of the imports.

Senator HARTKE. That is pretty good.

Mr. STITT. Yes, sir, it is good business. And I will say this, that Japan doesn't take these dollars and bury them under Tokyo. They come back here to buy soybeans and computers from Indiana.

Senator HARTKE. There is a shortage of food in Japan.

Mr. STITT. Japan is about 75 to 80 percent self-sufficient in food and the other 25 percent——

Senator HARTKE. They need soybeans, don't they?

Mr. STITT. Indeed, they do, sir. And there are other places to get them than the Midwest.

Senator HARTKE. Is this the official statement of the Japanese Government, that if we do this, they will retaliate by buying soybeans someplace else? Is that right?

Mr. STITT. I am glad you asked me that question. This is my position and the position of my colleagues of the U.S.-Japan Trade Council. It has nothing to do with the official position of the Japanese Government.

Senator HARTKE. Is it the position of the U.S.-Japan Trade Council that they would recommend stopping the purchase of soybeans from the United States?

Mr. STITT. No, sir.

Senator HARTKE. Why isn't it?

Mr. STITT. Because if they don't make dollars on steel, they can't buy products from the United States. They are going to have to buy their soybeans from somewhere, and their machinery. If they can't— trade is a two-way street. I hate to keep bringing up this old worn-out axiom.

Senator HARTKE. I grant you——

Mr. STITT. Both ways. They have got to earn dollars to spend dollars. And how are they going to earn dollars? Well, one of the best money earners, as I said, is steel.

Now, if you are going to deny them that, whatever share they may have today of the U.S. steel market, and Japan's share alone is not great, I would say, not 5 percent—close to 4 percent, let's say, of the total consumption comes from Japan. If you are going to deny them that 4 percent and deny them the over $500 million they make in selling that steel here——

Senator HARTKE. You know that is not in the bill. You know we are not going to lock them out. That is not in the bill.

Mr. STITT. I realize that. I understand.

Senator HARTKE. All right.

Mr. STITT. What your bill would do would be to reduce Japan's dollar earnings for steel here. I would say 20 to 25 percent. Now, you say it would be something a little less than that, but those categories that you have got in that bill, Senator Hartke, between the total quota, category quotas, and country quotas, and those—you know, when you set up categories, nobody can meet—their total categories, their total so-called share, because nobody can meet a little minute thing like stainless steel wire less than 0.03 inches in diameter, and Japan is going to get a quota of about 250 pounds, they just won't sent it. That is the way you have it set up, in categories of seven digit TSUSA numbers, minute little category quotas, and then the country is supposed to get a share. But each country has got to meet that minute little category in each of those items, 150 of them, I think.

Don't you see what an administrative monstrosity that would be, sir?

Senator HARTKE. No.

Mr. STITT. Well, I am sorry. As the chairman said, I am supposed to be the witness, and I shouldn't be asking you questions.

Senator HARTKE. You can ask me any questions you want to.

Mr. STITT. Believe me——

Senator HARTKE. I mean, I think that it would be fine if you would ask some questions of me. I would be glad to have you ask some questions.

Mr. STITT. Your bill, when you combine the country quotas with those minute product categories, would cut Japan's steel exports here down 20 to 25 percent.

Senator HARTKE. What will it do to your cartels?

Mr. STITT. Whose cartels?

Senator HARTKE. Japanese cartels. Your export cartels. Don't you ship these through export cartels?

Mr. STITT. I don't ship anything, sir. The Japanese steel industry, you are speaking of.

Senator HARTKE. That is what I thought we were talking about, but if you are talking about something else, I wish I knew it.

Mr. STITT. You say, how do I ship? I am just pointing out, I don't ship. They ship. You are saying that they use export cartels.

Senator HARTKE. I just asked you a question—do you ship through—does Japan ship through export cartels—yes, or no? I mean, do they, or don't they?

Mr. STITT. To a certain extent; yes.

Senator HARTKE. All right. That is it. And how did you describe them in your statement? What did you say they were? What did you say they would do to America? They would be invited to——

Mr. STITT. We should start cartels now? I mean, just because—look, I am as anticartel as——

Senator HARTKE. Just because Japan has them? I am asking you. You are the one who characterizes cartels as something bad, and now we find Japan shipping their steel through export cartels. I am asking you: Is that a fact? I am not asking you to comment on it. You have already characterized them as something bad. You did that before I asked the question. Now, I am asking whether they are shipping through them.

Mr. STITT. All right. Let's say they are.

Senator HARTKE. Fine.

Mr. STITT. Do you know the purpose of cartels? What you call cartels, in actuality, I call cooperative associations, but it is a matter of nomenclature, semantics. Do you know the purpose of these cooperative associations? To restrain too rapid growth in exports to the United States is one purpose.

Another purpose is to try to maintain the price so that the price competition doesn't get too fierce in the United States. That is what they are trying to do; what you call a cartel, is trying to really——

Senate HARTKE. High-trade control and price control combination; isn't that right?

Mr. STITT. Pardon?

Senator HARTKE. It is trade control and price control combination. Call it what you want to. I don't care what you call it.

Mr. STITT. Operated under the Japanese law.

Senator HARTKE. Operated under the Government; right?

Mr. STITT. Under Japanese law, under the eye of the Japan Fair Trade Commission.

Senator HARTKE. Oh, yes, I know.

Mr. STITT. Which is the same thing as our Federal Trade Commission and Department of Justice combined in this area.

Senator HARTKE. Could the U.S. steel companies do the same thing under our law?

Mr. STITT. Under the law? Of course not. For exports, they could.

Senator HARTKE. Not only could they not do it, but they would go to jail for doing it.

Mr. STITT. Not for exports. We are talking about an export cartel in Japan. The Webb-Pomerene——

Senator HARTKE. Let me ask you a question. Could United States Steel, Bethlehem Steel, Jones & Laughlin, and other steel companies form themselves into an export "cooperative," as you call it, without being in violation of the antitrust laws of the United States?

Mr. STITT. Oh, indeed they could.

Senator HARTKE. They could.

Mr. STITT. Of course. Haven't you heard of Webb-Pomerene?

Senator HARTKE. I have heard of it. They can go through Webb-Pomerene, and the Justice Department will give them clearance?

Mr. STITT. They have with so many other groups, I don't know why they wouldn't do it to steel.

Senator HARTKE. I think you will find out they probably would not only be in violation of the law but would probably go to jail for doing that.

Mr. STITT. The Webb-Pomerene Associations?

Senator HARTKE. I understand what you are talking about. If you read the law on those things—I am pretty familiar with that law. In fact, I have been doing some studying about that thing to see if we could——

Mr. STITT. Beef it up—you would like to beef it up?

Senator HARTKE. Exactly. I have got some thoughts along that line. If you are going to use them over in Japan, I think maybe we ought to use them in the United States. That would be fair trade.

Mr. STITT. We ought to go to Tokyo and learn the way to do it. If you want to beef them up.

Senator HARTKE. That is right.

Mr. STITT. Actually, Senator, all the joking aside, these export associations are mainly set up to try to restrain volume because they don't want to upset the U.S. market and they are intended to try to maintain price because, again, prices at too low a level would disrupt the market. I don't like cartels, but I think if you are going to have them, that is a pretty beneficial objective, particularly from the United States point of view.

Now, shall I continue, sir?

Senator HARTKE. Yes.

Mr. STITT. We are talking about the U.S. steel industry at the moment and pointing out that their sales, annual sales, have increased over the 6- or 7-year period by $6 billion, their net profits have increased after taxes by $239 million. Their earned surplus and surplus reserves have increased by $1.9 billion. Their reserves before depreciation have increased by $5.6 billion. Their investment in plant, property, and equipment after depreciation has increased by $2.6 billion. Total assets have increased by $5 billion, and stockholders' equity has increased by $2 billion.

These figures, sir, do not seem to me to portray an industry being materially damaged by foreign competition.

Senator HARTKE. Now, you are going to supply for me, sometime—whether you do it today or not, and I will give you all the time you ask for—the comparable figures of percentage increase in Japan in the same categories.

Mr. STITT. To the extent I have the figures, sir. I know I have some of them. I am not sure I have all of these, but I will try. I will try to give you whatever I can in this area.

Senator HARTKE. Give them to the committee.

Mr. STITT. All right. (See p. 927.)

Senator HARTKE. And provide for us also the percentage, because in all fairness, this is one of the greatest growth periods that the United States of America has ever experienced, and percentagewise steel had one of the smallest growths in any major industry. In fact, it has one of the smallest increases in any of the major industrial industries in the United States.

Mr. STITT. It is a mature industry, indeed, sir. But I don't think it is an industry going downhill.

Now, it has been maintained by a kind of modified straightline projection that steel imports into the United States within 10 years would reach "a staggering 40 million tons." We acknowledge that neither the U.S. industry nor the U.S. Government could view such a prospect with equanimity. Neither could I. On the other hand, I would like you to look at table 9, attached to my statement, sir.

This is extracted from a recent book published by the University of Michigan and presents an entirely different view of the future U.S. steel market. The book's section on steel was written by the marketing research director of McLouth Steel Corp.—and incidentally, one of the most progressive steel companies in the country—who could hardly be considered to be inexpert on this subject.

This article projects not only a steadily growing demand for steel in the United States, but, by 1980, a virtual balance between U.S. steel product exports and imports. Now, whoever is right in all this crystal balling, we submit that the present situation is far from justifying a reversal of the long-standing liberal foreign trade policy of the United States in the interest of the steel industry.

It has been contended that steel imports represent 70,000 jobs that would otherwise be held within the United States. In the first place, even the most extreme proposals by the domestic industry would not suggest eliminating all imported steel.

Second, the job loss figures totally ignore that jobs were generated in the handling and fabrication of imported steel.

Third——

Senator HARTKE. You are contending, then, that something would have happened if this had been domestic-produced steel that had been fabricated and handled?

Mr. STITT. I am contending that there has been many times when small business, small manufacturers, here have been unable to get steel without importing steel.

Senator HARTKE. I am not talking about that.

Mr. STITT. Well, these are the jobs that——

Senator HARTKE. No. You say the job loss figures totally ignore jobs that were generated in the handling and fabricating of imported steel. Does the fact that the steel is imported, in contrast to domestic steel, make any difference whatsoever in the number of jobs that would be involved in such a situation?

Mr. STITT. No, sir; except in times of shortage.

Senator HARTKE. I understand, but there is an overcapacity of steel in the world. No one is contending that there is a shortage. Why is that significant, then?

Mr. STITT. Because there are times in this country, Senator Hartke, when if the small men couldn't get imported steel, they would have to lay some people off.

SENATOR HARTKE. I thought you were talking about generation. You said here "generation." I would take the word "generated" to mean a new job, not a layoff.

Mr. STITT. All right. Let's change it to "saving a present job at times." I don't want to emphasize that.

Senator HARTKE. Pardon?

Mr. STITT. I would just as soon not emphasize it.

Senator HARTKE. You would just——

Mr. STITT. I would rather move along.

Senator HARTKE. I want to emphasize it. You made it here as the second most important argument against these job failures. Now, why do you put a statement in as your second most important statement here in your statement if it is not?

Mr. STITT. The word is "second," not "second most important."

Senator HARTKE. All right.

Mr. STITT. In other words, these allegations about job losses totally ignore the American jobs created by American exports, jobs that would not exist if American trading partners abroad did not have the dollars to purchase the farm and industrial products of this country.

Fourth, while undoubtedly there exists in some communities, in some parts of the country, some distress with respect to steel layoffs, statistics published by the American Iron & Steel Institute indicate that total employment in the industry increased from an annual average of 571,600 employees in 1960, to 575,500 employees in 1966. At the same time, industry shipments or sales increased by 26 percent.

Furthermore, metal trade publications have for the past 6 months been describing the shortage of skilled steelworkers in the growing Chicago and Gary districts.

Senator HARTKE. Let's take those areas. Here is the most important growth period you are referring to, and how many jobs increased? How many in the total employment in the steel industry?

Mr. STITT. Total employment was up about 4,000 jobs.

Senator HARTKE. About 4,000 jobs were created in the greatest growth period in the United States during the sharpest reduction in unemployment. You start from the time when we had severe unemployment in 1960.

Mr. STITT. 1960?

Senator HARTKE. Yes, 1960. Severe unemployment was a major issue in the campaign in 1960, and you go ahead and pick up 4,000 jobs, pick up total employees, and go ahead and make the next projection. What do you do in the mill with production workers? What happens to production workers?

Mr. STITT. All right. And from the same source, production workers showed a slight decrease.

Senator HARTKE. Right. In other words, the United States during the greatest growth period of its entire history, the greatest growth in its gross national product, shows a period here of total employment increase of 4,000 in one of the major U.S. industries and total drop in production employees, and you point to that as a reason for not being concerned about imports.

Mr. STITT. Sir, over that same period shipments or sales by the industry increased 26 percent.

Senator HARTKE. I understand.

Mr. STITT. Now, what does that tell you? It tells you that they are producing more steel per worker and the productivity of the steelworkers is going up. As a matter of fact, their productivity is going up faster than their wages. Now, this is a matter of productivity.

Senator HARTKE. Will you tell me what the percentage of increase in employees was? What was the increase in employees in Japan, during that period of time?

Mr. STITT. Again, I will have to send in that information. It is not here. In fact, this is off the top of my head, but I think the employment in the steel industry in Japan has remained relatively stable, for the same reason, increase in productivity. But I will have to check that.

(Pursuant to the above question, Mr. Stitt submitted a letter with attachments to the committee. These appear at the end of Mr. Stitt's testimony, p. 927.)

Mr. STITT. Now, during this period where we are supposed to have lost these 70,000 jobs to imports, I was pointing out that the steel companies in your part of the country, sir, Gary-Chicago district, which is the fastest growing steel-producing area in the country today, the steel

companies there have been advertising all over the country to pick up some steelworkers. There is a shortage of skilled steel labor in your area. They are trying to induce migration of steelworkers into your area.

In a situation like this, I cannot honestly accept the notion that somehow or another 70,000 jobs are going begging because of imports. We really don't have time to go through my whole statement. I am skipping over to page 16.

Senator HARTKE. Let's cover page 15.

Mr. STITT. All right.

Senator HARTKE. I might point out here that the record is going to show that in December of 1966, there were 638,000 steelworkers. On September 1 of this year, there were 634,800. In other words, this is a continued drop of employment in the United States.

Mr. STITT. It is picking up now, sir. There is no question about it, that the first half of this year was not what you would call a booming prosperous period for the U.S. steel industry. It was a good one but not a boomer.

Senator HARTKE. What do you want to do about these products? Do you want to ignore the labor cost? Do you want to skip over that? I wouldn't blame you.

Mr. STITT. No. I don't want to, but I was told I have 20 minutes.

Senator HARTKE. I have already wiped that out. Nobody else is bothered except me and you, so that is all right.

Mr. STITT. All right.

Much has been made of lower steel wages abroad, a fact which is undoubtedly true. Foreign steelworkers operating in economies and societies much less wealthy than the United States could not possibly be paid the equivalent of about $4.60 an hour.

Senator HARTKE. If they want to ship to the American markets, why couldn't they?

Mr. STITT. The only advantage——

Senator HARTKE. You want to talk about equality and fairness. If you are going to ship a product to the United States, why shouldn't that product have the same wage paid for it that is being used in the United States? What is wrong with those people over there sharing in the price which is paid in this market?

Mr. STITT. Every nation must have some advantage factor in the cost of production or there would be no trade at all. All we would be importing would be coffee and bananas. You say everybody should pay U.S. wages around the world, and then what kind of trade would we have?

Senator HARTKE. All right; go ahead.

Mr. STITT. All exports; no imports.

Senator HARTKE. So you are an advocate of cheap labor.

Mr. STITT. Indeed, I am not, sir. No, sir. And I am proud of the fact that steel wages in Japan are going up faster than they are in the United States.

Senator HARTKE. What are steel wages in Japan now?

Mr. STITT. The last figure I saw, not counting fringes, was about $1.16 an hour or perhaps $1.11.

Senator HARTKE. Less than the minimum wage for any person paid in the United States; isn't that right?

Mr. STITT. Any person whose goods move in interstate commerce——

Senator HARTKE. The minimum wage law of the United States. In other words, they are paid $1.16 an hour; and that is not cheap labor?

Mr. STITT. I hate to belabor cheap labor. To begin with, the Japanese steel worker, while he is becoming more productive, is not as productive as the American steelworker.

Senator HARTKE. You really believe that?

Mr. STITT. Yes, sir.

Senator HARTKE. And you take your own counsel's statement for those words? Go ahead and say it again, so we have no question on what you said.

Mr. STITT. I said, the average industrial laborer in Japan is not as productive as the average steel laborer in the United States.

Senator HARTKE. Well, you know an outfit called Yawata?

Mr. STITT. Very well, sir.

Senator HARTKE. What about them?

Mr. STITT. It has one of the highest paid labor forces in Japan.

Senator HARTKE. What about their productivity?

Mr. STITT. Their productivity—I would like to study this, sir——

Senator HARTKE. I don't blame you.

Mr. STITT. Because you are trying to pull this off the top of my head. They produce—let me put it this way: I will bet you that if you take your shipments last year and divide it by the labor force, you will find a lesser tonnage of shipment per worker, than if you took, let's say, McLouth Steel, or Inland, or Armco Steel.

Senator HARTKE. We are going to put in the record here just for your edification and enlightenment, an article from the Journal of Commerce, September 26, 1967, which, a few days ago, under the Tokyo Bureau byline said:

> Workers' productivity climbs. Yawata boosts capital outlays. The newest Yawata plant, the Sakai Iron Works, as of August 1967, had achieved a labor productivity of 1,200 metric tons per employee in terms of hot plate output. This is considered a very high figure when compared to U.S. Steel in Fairless, where productivity is approximately 583 metric tons per worker, according to Mr. Yuchita.

It goes on to say that even if the total labor productivity figure is reduced to 900 metric tons, it is still a remarkable statistic. In other words, when you claim the productivity of this $1.16-per-hour worker employee over there is less than the United States, it certainly is not so. It is in direct contradiction to the statements of their own people.

Compare the 583 metric tons of U.S. steel in Fairless, to either figure you give, whether taking the total employees, which is 900 metric tons, or whether you take the absolute labor productivity in the mill which is 1,200 metric tons.

Mr. STITT. Senator Hartke, I think you must admit you have taken the latest, most up-to-date steel plate mill in Japan, the most recently installed to date.

Senator HARTKE. Still, how much do they pay them an hour?

Mr. STITT. I don't know what Yawata pays. I know the average is somewhere between $1.10 and $1.15.

Senator HARTKE. $1.10, $1.16 an hour, according to this, to have a productivity almost twice the American employee who is paid $4.60 an hour.

Mr. STITT. United States Steel Corp. has a plate mill underway in your area that is going to out-do that Yawata mill in terms of labor productivity. It is a matter of who has the latest mill. You have picked the latest, best mill in Japan to compare two industries. It isn't—I am trying to compare industries, not type mills.

Senator HARTKE. You don't think I am being fair; is that right?

Mr. STITT. No, sir. I think you are being quite fair to me under the circumstances. [Laughter.]

Senator HARTKE. You are such a lovable person, it is awfully hard to talk to you.

You know about this free-trade thing? Since we are just having an interlude; do you believe in the doctrine of free trade?

Mr. STITT. Yes, sir; I do.

Senator HARTKE. If we uphold the doctrine that there is a sine qua non in foreign trade, should we not uphold the free movement of capital, too?

Mr. STITT. Yes, sir; I think we should.

Senator HARTKE. Then let me ask you whether the Japanese have fully acceded to the code of liberalization of capital of the OECD, and would U.S. Steel in effect be allowed to set up a fully owned subsidiary in Japan, as Japan can do in the United States today?

Mr. STITT. First, I would say they have not fully complied. That is the first part of the question. They are moving there.

Secondly, when it comes to the carbon steel, ordinary mill steel industry, it is my understanding that it is 100-percent liberalized and anyone can go in there and try to compete with the present companies.

Senator HARTKE. If they did that, a fully owned subsidiary there——

Mr. STITT. One hundred percent.

Senator HARTKE (continuing). With no Japanese partner?

Mr. STITT. He would be wise to get a Japanese partner, but he can do it without one, but if you were, or if I were, to go in as partners on a joint venture, to go to Japan and build a steel mill——

Senator HARTKE. How many fully owned American subsidiaries are there in Japan? How many steel mills?

Mr. STITT. Not very many now. A few. Not very many. None in the steel industry.

Senator HARTKE. None in the steel industry.

Mr. STITT. They just recently liberalized carbon steel. It was just announced a few months ago.

Senator HARTKE. Go ahead.

Mr. STITT. On the subject—if you and I were to join together, our best bet would be to get a good Japanese partner.

Senator HARTKE. That is not true. The Americans don't require that.

Mr. STITT. No; they don't at all, though if I were a Japanese coming here, I think I would want an American partner, too.

Senator HARTKE. As a matter of doing business.

Mr. STITT. Yes, sir. Different countries, different customs, different ways of doing things.

Senator HARTKE. All right.

Mr. STITT. Now, we stopped by my saying that all the countries in the world couldn't possibly pay \$4.60 an hour. I think for most steel-producing countries, and I know for Japan, the steel employees are

among the highest paid group of workers in their own countries and, therefore, sir, I don't like to appear to be contradictory, but I think allegations of cheap labor are unfounded.

Furthermore, while U.S. steel wages have been increasing at a steady pace, steel labor productivity has increased even more. If you looked at my tables 4 and 5, they show that from 1960 to 1966 industry sales and industry shipments have risen even more rapidly than have employment costs, whether measured by total employees or by production workers. We feel that such unemployment as may exist in the steel industry is far more the result of technological advance and more intensive capital investment than it is of rising steel product imports.

The U.S. steel industry has claimed with pride that it is spending money for research and development at an annual rate well above $150 million, implying that the industry is not laggard in foresight. It is true that in recent years the industry has indeed increased its efforts to make up for its lack of innovation over the last 25 years. However, in this connection, permit me to quote from an article entitled "The Trouble With Steel":

> The record of the steel industry in this respect is rather shocking. Thus, a 1966 report of the National Science Foundation revealed that in 1964 the steel industry devoted less of its sales dollar to research and development than all but three of the 16 industries surveyed. The industry spent only 60 cents of every hundred dollars of sales revenues on research and development, compared to a $1.90 average for all manufacturing industries. Even more revealing, all the industries that produce substitutes for steel products—aluminum, cement, plastics and glass—spent more on research and development that the steel industry, sometimes five and six times as much.

Vague and generalized statements have been made that, compared with the U.S. steel industry, foreign steel industries have been greatly advantaged by their respective governments in terms of financing, export promotion, and import protection of their home markets.

I am on page 16, sir.

These widely disseminated assertions, upon examination, are best characterized by their total lack of specific detail. With regard to the European or other steel industries, we must leave answers to others more knowledgeable. We believe that the allegations are lacking in substance insofar as the Japanese steel industry is concerned.

Japan has no border taxes.

It has been stated that the Japanese industry "is heavily favored in terms of capital supply." Statistics on this matter, for the years 1960 through 1966, have been submitted to Professor Weidenhammer of the staff of your committee. An examination of these figures does not bear out the allegations.

First, governmental loans to the steel industry are at the same rate of interest as those from private banks. This rate—8.2 percent per annum—can hardly be considered favorable, especially when compared with the rate at which the U.S. steel companies are able to borrow money.

Second, at no time, over this 7-year period, have governmental loans exceeded 1 percent of new capital for the industry.

Third, the major sources of new capital for the industry, for the Japanese steel industry, have been the flotation of bonds, the increase of capitalization by an increase of shares, and loans from private commercial banks. Over the period, the new financing provided by foreign

loans—the World Bank, and U.S. Eximbank—has rapidly decreased, and, by 1966, the payment of interest on these foreign loans is well in excess of new capital so acquired.

By and large, over the period, the major source of new investment has been retained profits and depreciation. This is not unlike the experience of most U.S. steel companies. Thus, the Japanese Government has played a small role in the capital supply of that nation's steel industry.

Since Japan, in April of 1964, became a full-fledged article 8 member of the International Monetary Fund Agreement, no special income tax advantage has accrued to export industries, whether steel or other. Japan, like the United States, has an Export-Import Bank to help promote Japanese exports of all kinds. In the national interest, the Japanese Ministry of International Trade and Industry has exhorted its industries to extend their best efforts to expand exports, just as the U.S. Department of Commerce has exhorted American industries.

Export goals have been set, which industries try to meet. This can hardly be considered much different from the U.S. Government's efforts to promote exports and to discourage investment abroad, on the basis of voluntary industry action.

It has been said that the Japanese steel market is "insulated from steel imports." We would like to point out that during the recent Kennedy round, the duties on steel imports were reduced by an average of 50 percent. This will be found in my table 10.

The problem for prospective U.S. exporters of steel to Japan is not really nontariff trade barriers. It is rather that the prices of U.S. steel products are so high that they could not be sold in the Japanese market, whether or not nontariff trade barriers existed.

I sat in hearings before the Federal Trade Commission and heard a vice president of Bethlehem Steel Co. testify to this effect. Even if there was no ocean freight at all involved in shipments of steel from the United States to Japan, from Bethlehem, he couldn't sell any steel in Japan because he couldn't meet the Japanese prices to Japan. No freight rates——

Senator HARTKE. On the one hand, you are trying to tell me that the productivity is not as good, and on the other hand, you are trying to tell me that they are so competitive in price. How can you account for this vast difference in cost of about $30 a ton?

Mr. STITT. Labor is a good part of it, sir. I didn't say—going into a ton of steel is so much labor cost. Going into a ton of Japanese steel is much less labor cost than at present in U.S. steel. I agree to that. And their one advantage is that. Furthermore, the Japanese steel companies don't really go for making as high a profit as possible. They like to sell steel.

Senator HARTKE. Do you want to give us the profit figures from the Japanese companies?

Mr. STITT. Again, I have given these to Dr. Weidenhammer. I will provide them to you, sir. They don't make the profits the U.S. industry does.

(Pursuant to the above question, Mr. Stitt submitted a letter with attachments to the committee. These appear at the end of Mr. Stitt's testimony, p. 927.)

Senator HARTKE. I don't think anyone——

Mr. STITT. They are competitive.

Senator HARTKE. I don't think anyone is contending that the price of Japanese steel is in excess of American steel.

Mr. STITT. No; but, you see, all this talk about—this tongue-in-cheek talk about, we want equitable world trade, it is unfair, there are tariff barriers; I say whether or not Jajan has tariff barriers in general—which I don't think they do—U.S. steel companies couldn't sell American steel because it is too high priced.

Who is going to ship American steel to Japan when he can't sell it—he would sell it at a loss?

Senator HARTKE. I don't know anyone who has made a contention that if you could ship it in there, the price would still be there, but the point still remains that you have access to a market which is not on an equivalent basis with the market where it is being produced.

Mr. STITT. As far as Japan is concerned, I tend to—I don't know about the others, but I tend to say that it is not restricted, that you can't get—pardon me—there are certain small varieties of specialty steels where there are restrictions on imports. But the bulk of ordinary steel products, to the best of my knowledge, can go into Japan if whoever is shipping it in, whoever buys it there, thinks they can make a buck on it.

Senator HARTKE. Do you ship American automobiles into Japan?

Mr. STITT. You have to hop a pretty high tariff.

Senator HARTKE. Yes. That has a lot of steel in it, doesn't it?

Mr. STITT. Yes, sir.

Senator HARTKE. And who is it that is coming in here with the No. 2 sales in automobiles at the moment?

Mr. STITT. I think that article that you are reading——

Senator HARTKE. What is the name of that car?

Mr. STITT. Toyota, or Datsun.

Senator HARTKE. Toyota now is No. 2 import in the United States; isn't that right?

Mr. STITT. It may be, sir; although the last time I looked, it was about No. 4, but it may have pulled up in the last month or so. That must be a figure for just the most recent month, or something like that.

Senator HARTKE. Let's come on back. If an American wants to ship any steel or any product, any automobile, over into Japan, this is what he has to do: He has to go through that tight control system over imports from the United States in this fashion. First, he has to secure an irrevocable letter of credit as the condition for importing goods into that country.

Mr. STITT. It works the same way in the other direction.

Senator HARTKE. He must apply to his bank, and his bank in turn to the Central Bank of Japan for an allocation of foreign exchange to validate the letter of credit. The administrative procedure practiced in the allocation of the foreign exchange seems to result in a product which competes with the Japanese industries being excluded.

Mr. STITT. What is the source of that, sir?

Senator HARTKE. This is in a publication which was made here by Mr. Jones this morning. I mean, these are the real control methods that are used by Japan.

Mr. STITT. He was testifying on textiles; wasn't he?

Senator HARTKE. It applies to all things. No question about that.

Mr. STITT. I think that a good bit of this is not governmental law and regulation, sir. I do know this.

Senator HARTKE. It is an effective means of operation, though, and it works very effectively.

Mr. STITT. Sir, if somebody here wants to import steel from Japan, he has got to go to his bank and get a letter of credit because they won't even start rolling the steel until they get a letter of credit, so what is the difference? You have got to go to the bank and get a letter of credit to import Japanese steel. So, in Japan, you have to get a letter of credit to import American textiles. This is the way the bank business operates in this area.

Senator HARTKE. Go right ahead.

Mr. STITT. Thank you, sir.

In any event, it is our understanding, contrary to the usual assertions, that the Japanese Government does not exercise a restrictive import licensing system, with a few minor exceptions, which I mentioned before.

I would like to draw your attention to table 7 of my statement. There you could note that, in the first 7 months of 1967, steel from Japan represented in volume only 93 percent of the Japanese steel imports over the same period of 1966. This compares with total steel imports in the first 7 months of 1967 of 108 percent of the similar period of 1966. I am merely suggesting that the 8 percent growth is not caused by Japan, because we always seem to be talking about Japan when we talk about these things.

To seek quotas on steel imports is to seek an extraordinary degree of protection. This is obvious. It is equally obvious that a country dedicated to private enterprise cannot lightly or easily impose quotas on products competitive with those of its own industries. Extraordinary reasons must support extraordinary restraints. These extraordinary reasons have not been demonstrated for the U.S. steel industry, and I don't think can be.

It may be that the U.S. industry has not experienced the growth, in fact—I will change that "may"—the U.S. industry has not experienced the growth which other industries have experienced. The steel industry stocks are probably less attractive to speculators than the stocks of other companies. Company profits are less massive percentagewise than in many other industries.

These facts in themselves, even if true, do not furnish reasons sufficient for import quotas, particularly when the industry has shown a steady pattern of growth which, whatever its impressiveness in relative terms, is undeniably impressive in absolute terms.

The rest of my statement, sir; I depart from steel here.

Senator HARTKE. I will be glad to permit you to put that in the record.

Mr. STITT. I would just as soon have the rest of it go in the record.

Senator HARTKE. Let me ask you this question.

Do you know the present plant capacity of the Japanese steel industry?

Mr. STITT. Well, capacity is a funny thing in the steel industry, Senator Hartke. Are we talking about pig iron capacity, crude steel?

Senator HARTKE. Let me tell you what I am driving at. How much of it is consumed inside Japan? In other words——

Mr. STITT. Let me think that one over. Last year Japan exported about 10 million metric tons and produced about 48 million, so it would have been about 20 percent exported, finished products.

Senator HARTKE. How much will they increase their capacity, say, by 1975, as compared by their estimated needs?

Mr. STITT. I have seen estimates ranging all over the lot. The one I trust the most is that crude steel capacity by 1972 could reach 72 million metric tons.

Senator HARTKE. Seventy-two million; and how much of that would be consumed in Japan?

Mr. STITT. I would say 80 percent or better.

Senator HARTKE. All right. What are they going to do with the excess? In other words, 20 percent of this is going to be substantially in excess of what is presently being imported in the United States. Who do they plan to sell it to?

Mr. STITT. Other areas of the world and the United States.

Senator HARTKE. Primarily.

Mr. STITT. So far the United States has been the best customer; yes, sir.

Senator HARTKE. About 48 percent of it; right?

Mr. STITT. Yes, sir.

Senator HARTKE. In other words, they just market that additional amount.

Mr. STITT. They intend to come here, selling steel to earn dollars to buy SST's. If they can't earn dollars to buy SST's, they can make use of dollars in Europe to buy Concorde's. Which would we rather have them buy? It is that simple.

Senator HARTKE. How about automobiles?

Mr. STITT. They have been shipping automobiles in here.

Senator HARTKE. How about automobiles? How many of the U.S. automobiles went there last year, U.S. automobiles?

Mr. STITT. From the United States into Japan? I don't know.

Senator HARTKE. 4,000.

Mr. STITT. I am surprised. I wouldn't think it would have been that big.

Senator HARTKE. Most of us thought they would lock us out. We couldn't get in there. There isn't any question about that. I mean, the American automobiles. The American Motors is struggling for its life and its chief competitor is Volkswagen and these compacts. We are preparing to put them out of existence.

Mr. STITT. On this automibile thing, let me make just one suggestion. You have been to Japan; haven't you, sir?

Senator HARTKE. Yes.

Mr. STITT. Of course you have. You have seen the Japanese roads. What good is an American four-door sedan going down those alleys, where you can hardly get a Datsun through? If the United States really wants to sell cars in Japan, why don't we make cars to fit their streets?

Senator HARTKE. Because they couldn't sell them there if they do.

Mr. STITT. How do you know, until you try?

(A letter from Mr. Stitt containing information on points raised during his testimony, follows:)

STITT, HEMMENDINGER AND DANIELS, ATTORNEYS,
Washington, D.C.

HON. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Attached to this letter are tables setting out financial data on the Japanese steel industry and on employment in Japan. This information was requested by Senator Hartke at the hearings before the Committee on Finance concerning import quotas legislation, where I testified in my capacity as director of the United States-Japan Trade Council. Transcript pages 561-62, 576, and 588. I am also submitting copies of tables which I had earlier submitted on behalf of the Japanese steel industry in response to inquiries from Dr. Robert M. Weidenhammer. These are:

Table 1-1.—Imports of Raw Materials and Fuels from U.S.A.
Table 1-2.—Imports of Raw Materials and Fuels from U.S.A.
Table 2.—Indirect Steel Imports into Japan from the United States.
Table 3.—Iron and Steel Shipments to U.S.A.
Table 4-1.—Debt as Percentage of Equity.
Table 4-2.—Current Assets as Percentage of Current Liabilities (Current Ratio).
Table 5.—Sources of Funds for Capital Expenditures of Japanese Steel Industry.

The following are answers to specific questions raised by Senator Hartke at the hearings.

(1) Sales by the United States steel industry in 1966 were 38.4% higher than in 1960. 1967 sales (estimated annual sales for 1967 as twice first half performance) were 32.7% higher than 1960 sales.

(2) Employment of wage earners in the United States steel industry declined 0.7% between 1960 and 1966. Employment of all employees in that industry increased 0.7% in that same period.

(3) Employment of technical and clerical workers between Japanese fiscal years 1960 and 1966 increased by 38%. Employment of processing or production workers increased 15.4%. Overall employment in the industry in this period increased 18.9%. These data are based upon employment at the plant level and do not include employment data for head and branch offices.

Yours very truly,

STITT, HEMMENDINGER & DANIELS.
By: NELSON A. STITT

TABLE I.—SALIENT FINANCING STATISTICS, JAPANESE IRON AND STEEL INDUSTRY JFY 1960-66[1]

[In millions of yen]

Year	Net sales[2]	Net profits after taxes[2]	Liquidation position[2 3 4]
1960	685,130	33,080	109,421
1961	863,223	44,448	77,703
1962	800,854	28,780	70,950
1963	963,052	39,266	98,564
1964	1,168,405	46,618	144,719
1965	1,252,931	40,613	142,997
1966	[5] 710,380	[5] 24,115	[5] 146,747
Change, 1960 to Sept. 30, 1965	[6] +725,621	[6] +15,150	[6] +37,326

Year	Equity[2 7]	Current assets[2 8]
1960	329,608	386,348
1961	408,710	538,200
1962	475,300	567,087
1963	537,586	643,639
1964	623,773	728,397
1965	644,352	811,200
1966	[5] 668,072	[5] 847,526
Change, 1960 to Sept. 30, 1965	[6] +338,464	[6] +461,178

TABLE I.—SALIENT FINANCING STATISTICS, JAPANESE IRON AND STEEL INDUSTRY JFY 1960-66[1]—Continued

Year	Total value of iron and steel industry shipments[9]	Value added, iron and steel[9]
1960	1,644,654	391,601
1961	2,113,862	538,704
1962	1,902,507	413,934
1963	2,109,764	482,150
1964	2,628,873	659,580
1965	2,568,117	599,488
1966	(10)	(10)
Change 1960 to 1965	+923,463	+207,887

[1] The Japanese fiscal year (JFY) runs from Apr. 1 to Mar. 31 and is designated by the year in which it begins. Thus FY 1960 ran from Apr. 1 1960 to Mar. 31 1961.
[2] Source: Financial reports of Yawata Iron & Steel Co., Fuji Iron & Steel Co., Nippon Kokan K. K., Kawasaki Steel Corp., Sumitomo Metal Industries, and Kobe Steel. These companies represent about 80 percent of total Japanese carbon steel ingot capacity.
[3] Current assets minus current liabilities.
[4] At the end of the period.
[5] Half year.
[6] Estimated annual rate for JFY 1967.
[7] Equity includes reserves to be considered as surplus.
[8] Current assets is the total of cash and deposits, notes and accounts receivable, securities, inventories and others less reserve for bad debt.
[9] Source: The Japan Iron & Steel Federation, "Statistical Yearbook for 1966" at 4 (1967), where the source for the figures is identified as the Ministry of International Trade and Industry.
[10] Not available.

TABLE II.—EMPLOYMENT DATA, JAPANESE IRON AND STEEL INDUSTRY, JFY 1960-66[1]

TABLE A

Year	Technical and clerical workers[2]	Process workers[2 3]	Grand total
1960	40,866	221,891	262,757
1961	46,684	250,765	297,449
1962	51,377	245,143	296,520
1963	52,436	247,301	299,737
1964	53,334	251,467	304,801
1965	54,098	244,567	298,665
1966[4]	56,384	256,129	312,513
Change, 1960 to 1965	[5] +15,518	[6] +34,238	[7] +49,756

TABLE B.—WORKING HOURS PER TON OF PRODUCTS

Year	Blast furnace[8]	Open hearth[8 9]	Electric furnace[8]
1960	4.50	5.17	11.16
1961	3.78	4.77	9.17
1962	3.66	4.68	7.96
1963	3.29	4.20	6.83
1964	2.73	3.80	6.29
1965	(10)	(10)	(10)
1966	(10)	(10)	(10)

[1] The Japanese Fiscal Year (JFY) runs from Apr. 1 to Mar. 31 and is designated by the year in which it begins. Thus, JFY 1960 ran from Apr. 1, 1960 to Mar. 31, 1961.
[2] The term workers does not include those in head and branch offices.
[3] Identified as process workers in source; these correspond to production workers in AISI statistics.
[4] Provisional.
[5] 38 percent.
[6] 15.4 percent.
[7] 18.9 percent.
[8] Includes both direct and indirect working hours.
[9] This represents an average of working hours for hot metal and cold metal.
[10] Not available.

Source: The Japan Iron & Steel Federation Statistical Yearbook for 1966 at 17, 18 (1967).

TABLE 1-1.—IMPORTS OF RAW MATERIALS AND FUELS FROM UNITED STATES

[Quantity in thousands of metric tons]

Calendar year	Pig iron	Ferroalloy	Iron ore	Iron and steel scrap	Manganese ore	Coking coal	Chromium ore	Magnesia clinker	Fluorite ore	Nickel ore	Tungsten ore	Molybdenum ore	Petroleum coke	Heavy fuel oil (thousands of kiloliters)
1960	28	(1)	825	3,086	(2)	4,387	(2)	25	(2)	(2)	1	4	19	1,120
1961	287	20	946	5,308	(2)	5,292	(2)	20	(2)	(1)	(1)	5	32	1,237
1962	118	4	864	2,605	(2)	5,441	(2)	1	1	(1)	(1)	1	(2)	859
1963	20	(2)	1,821	3,363	(2)	5,108	(2)	9	(2)	(2)	(1)	(1)	41	937
1964	56	(2)	2,005	3,758	(2)	5,281	(2)	3	(2)	(2)	(1)	4	(2)	1,029
1965	1	(2)	2,660	2,340	(2)	6,408	(2)	(1)	(2)	(2)	(1)	3	(2)	723
1966	(2)	(2)	3,724	2,600	(2)	6,716	(2)	(2)	(2)	(2)	(2)	3	58	452

[1] Less than 500 metric tons.
[2] Nil.

Sources: Coking Coal and Magnesia Clinker, Japan Iron & Steel Federation; Petroleum Coke and Heavy Fuel Oil, MITI.

Note: Import of U.S. raw materials and fuels for use of other Japanese industries as compared with the steel industry (totals for 1960–1966, unit, 1,000 metric tons):

	Other industries	Steel industry
Coking coal	3,540	38,553
Magnesia clinker	61	58
Petroleum coke	304	150
Heavy fuel oil	[4] 6,706	6,357

[4] Thousands of kiloliters.

TABLE 1-2.—IMPORTS OF RAW MATERIALS AND FUELS FROM UNITED STATES

[Value in thousands of dollars, c.i.f., Japan]

Calendar year	Total	Pig iron	Ferro-alloy	Iron ore	Iron and steel scrap	Coking coal	Petroleum coke	Heavy fuel oil	Others
1960	276,579	1,681	5	12,760	155,781	79,077	815	16,565	9,895
1961	453,198	14,603	3,703	14,788	289,281	97,955	1,373	19,891	11,604
1962	269,984	6,611	712	12,744	131,642	101,964	(1)	13,856	2,455
1963	275,910	1,078	154	25,477	135,751	91,433	1,693	13,830	6,496
1964	326,871	2,860	659	28,125	174,860	95,745	(1)	15,065	9,557
1965	282,255	120	369	38,344	108,326	118,548	(1)	11,076	7,472
1966	308,362	141	331	55,144	108,908	124,514	2,517	6,825	6,982

[1] Nil.

Notes: "Others" includes manganese ore, chromium ore, magnesia clinker, fluorite ore, nickel ore, tungsten ore and molybdenum ore.

Imports of U.S. raw materials and fuels for other use of Japanese industries as compared with the steel industry (totals for 1960–1966; unit, $1,000):

	Other industries	Steel industry
Coking coal	65,194	709,236
Magnesia clinker	4,476	4,231
Petroleum coke	10,279	6,398
Heavy fuel oil	154,732	97,108

Sources: Ministry of Finance; figures for coking coal, petroleum coke and heavy fuel oil and magnesia clinker are estimated.

TABLE 2.—*Indirect steel imports into Japan from the United States*

[In thousands of dollars]

Calendar year:	Value (c.i.f.)
1960	172,044
1961	275,686
1962	344,419
1963	351,304
1964	294,150
1965	248,574
1966	267,484
1960–66 total	1,953,661

NOTE.—Above figures represent general machinery, heavy electrical machinery, automobiles, buses, trucks, and tractors.

Source: Ministry of Finance.

TABLE 3.—IRON AND STEEL SHIPMENTS TO UNITED STATES (QUANTITY AND F.O.B. VALUE)

[In metric tons and thousands of dollars]

Calendar year	Grand total	Ordinary rolled steel products	Secondary products	Others	Value
1960	611,498	402,748	164,155	44,595	96,602
1961	624,147	402,926	193,252	27,969	97,616
1962	1,162,591	812,388	256,114	94,089	171,939
1963	1,795,742	1,371,360	375,006	49,376	255,173
1964	2,587,207	2,103,695	428,126	55,386	353,419
1965	4,348,696	3,726,834	514,316	107,546	572,836
1966	4,695,075	3,994,246	540,853	160,776	608,434

Notes: Iron and Steel export to U.S. by export certificate statistics (thousands of dollars):

1966, January and February	92,190
1967, January and February	85,435
Difference	6,755

Source: Japanese customs clearance statistics.

TABLE 4-1.—DEBT AS PERCENTAGE OF EQUITY

[In millions of yen]

Japanese fiscal year	1960	1961	1962	1963	1964	1965	1966 (1st half)
Iron and steel industry (covering major 6 companies):							
Debt (a)	401,345	536,875	644,761	712,145	720,529	848,872	878,409
Equity (b)	329,608	403,710	475,300	537,596	623,773	644,352	666,072
Debt-equity ratio (a):(b)	54.9:45.1	57.1:42.9	57.6:42.4	57.0:43.0	53.6:46.4	56.8:43.2	56.9:43.1
Manufacturing industries (covering about 460 companies):							
Debt (a)	2,413,921	3,125,517	3,808,120	5,042,330	5,931,671	6,665,791	(1)
Equity (b)	2,124,072	2,667,805	3,090,097	4,071,216	4,563,513	4,699,345	(1)
Debt-equity ratio (a):(b)	53.2:46.8	54.0:46.0	55.2:44.8	55.3:44.7	56.5:43.5	58.7:41.3	(1)

[1] Not available.

Notes: Source financial reports of the companies concerned.
Debt, total of long-term debts, short-term debts and bonds.
Equity includes reserves to be considered as surplus such as "Reserve for Price Fluctuation."
Major 6 companies: Yawata Fuji NKK Kawasaki Sumitomo Kobe.

TABLE 4-2.—CURRENT ASSETS AS PERCENTAGE OF CURRENT LIABILITIES (CURRENT RATIO)

[In millions of yen]

Fiscal year	1960	1961	1962	1963	1964	1965	1966
Items:							
Iron and steel industry (major 6 companies):							
Current assets (a)	386,348	538,200	567,087	643,639	728,397	811,200	847,528
Current liabilities (b)	276,927	460,497	496,137	545,075	583,678	668,203	700,779
Current ratio (a) divided by (b) (percent)	139.5	116.9	114.3	118.1	124.8	121.4	120.9
Manufacturing industries (about 460 companies):							
Current assets (a)	3,620,352	4,662,988	5,351,250	7,183,281	8,395,116	8,882,804	....
Current liabilities (b)	3,130,980	4,178,929	4,774,220	6,240,152	7,222,514	7,566,634	....
Current ratio (a) divided by (b) (percent)	115.6	111.6	112.1	115.1	116.2	117.4	....

Notes: Current assets, total of cash and deposits, notes and accounts receivable, securities, inventories and others, less reserve for bad debt.
Current liabilities: Total of short-term debts, notes and accounts payable, provision for taxes, and others.
Major 6 companies: Yawata, Fuji, NKK, Kawasaki, Sumitomo, Kobe (representing over 80 percent of total Japanese steel ingot capacity).

Source: Financial reports of the companies concerned.

TABLE 5.—SOURCES OF FUNDS FOR CAPITAL EXPENDITURES OF JAPANESE STEEL INDUSTRY (NET INCREASE)

[In hundreds of millions of yen]

Fiscal year	1960		1961		1962		1963		1964		1965		1966 (estimated)	
Number of companies	71		80		77		75		73		92		92	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total net increase	2,342	100	2,976	100	2,442	100	1,778	100	1,832	100	1,984	100	2,406	100
Bond issuances	662	28.3	192	6.5	101	4.1	150	8.4	134	7.3	277	14.0	229	9.5
Private banking facilities loans	501	21.4	897	30.2	648	26.5	641	36.1	375	20.5	716	36.1	753	31.3
Governmental agencies loans	14	0.6	12	0.4	23	0.9	7	0.4	16	0.9	−4	−0.2	17	0.7
Foreign loans	238	10.2	120	4.0	141	5.8	55	3.1	−6	−0.3	−118	−5.9	−121	−5.0
Total	753	32.2	1,030	34.6	812	33.3	704	39.6	385	21.0	594	29.9	649	27.0
Issuance of shares	278	11.9	1,029	34.6	919	37.6	238	13.4	545	29.7	218	11.0	88	3.7
Internal funds (retained profits and depreciation)	640	27.7	725	24.3	610	25.0	686	38.6	767	41.9	895	45.1	1,440	59.8

Note: Current interest rate on loans for capital expenditures (major 6 companies) (percent per annum):

Bond	[1] 7.3
Private banking facilities	8.2
Governmental agencies	8.2

[1] Nominal yield rate.

Note: Source, MITI.

(The complete prepared statement of Mr. Stitt, previously referred to, follows:)

SUMMARY OF STATEMENT OF NELSON A. STITT, DIRECTOR, ON BEHALF OF UNITED STATES-JAPAN TRADE COUNCIL ON IMPORT QUOTA BILLS BEFORE SENATE FINANCE COMMITTEE, OCTOBER 20, 1967

The application of quantitative controls over a wide range of American imports—and especially over textiles and steel—would have unfortunate consequences for the U.S. economy and for U.S. political relations with Japan. It would impair the ability of Japan to buy from the United States and invite retaliation against American exports to Japan, which were valued at $2.3 billion in 1966.

Such quotas are completely opposed to the principles of economic freedom on which the United States has prospered. The resulting bureaucratic controls would be intolerable. It is impossible to frame any reasonable general criteria for imposing mandatory quotas.

The U.S. steel industry has been prospering, by all indicia, over the last seven years, during which imports became a factor. Imports will not reach much higher levels. There is an actual shortage of skilled steel workers. The U.S. industry has been technologically laggard but is catching up. The Steel Quota bill would limit imports much more than indicated by the assigned quotas.

Imports of wool products have actually declined over the last two years. Imports of manmade fibers in 1966 rose to meet extraordinary demand in the United States, but have declined in 1967. Taken together, imports of cotton, manmade and wool manufactures from Japan declined by 9.1% in the first half of 1967 compared to the first half of 1966.

Footwear imports have rendered a great service to the American economy. The U.S. industry suffers from a labor shortage. Imports from Japan have consisted mostly of shoes with vinyl uppers which fill a great need of low-income consumers and are not directly competitive with U.S. made shoes.

Electronics quotas would have adverse effects on the U.S. electronics industry itself because of its export surplus and specialization. It relies heavily on certain imported components and finished product.

With lead and zinc quotas in existence from 1958 to 1965, there has not been time to bring about adjustments in a free lead and zinc market. A quota could never eliminate some of the volatile factors and would aggravate the supply situation.

The glass industry is in an exceptionally healthy profit position, engages in very favorable international operations and already enjoys special protection from certain imports.

STATEMENT OF NELSON A. STITT, DIRECTOR, UNITED STATES-JAPAN TRADE COUNCIL

The United States-Japan Trade Council, 1000 Connecticut Avenue, Washington, D.C., is a trade association with a membership of over 700 firms located in the United States who conduct among them most of the trade between the United States and Japan.

Our members, like everyone concerned with this mutual trade, are enormously concerned about the trade bills which are pending before this Committee. We respect the sincerity of their sponsors, but we nevertheless believe that they pose serious dangers to the health of the United States economy and to the foreign relations of the United States.

It is fortunate that this Committee has decided to hold these hearings, because when the various proposals to restrict imports into the United States are examined together it becomes manifest that they involve nothing less than the abandonment of the trade policy followed by the United States for the last 33 years, and most recently approved by the Congress when it enacted the Trade Expansion Act of 1962.

The commodity quota bills currently pending in the Congress cover trade valued in 1966 at about $6.3 billion. This is 25 percent of all U.S. imports in 1966. If you exclude from total imports those that are not competitive with any U.S. products, then these bills cover more than ⅜ of U.S. imports. And, finally, the Dirksen proposal, the Muskie bill and other generalized quota proposals that have been circulated would involve practically all imports that are competitive with any American produced articles.

We earnestly submit that quantitative controls over a wide range of American imports would spell the end of a whole era of expanding trade and would introduce a new period of inward-looking, self-impoverishing policies.

UNFORTUNATE CONSEQUENCES FOR THE U.S. ECONOMY

Such a program of quantitative controls would be unfortunate for the U.S. economy for two main reasons. First, it would negate the invaluable benefits of imports in helping to maintain moderate price levels in the United States. This effect is much greater than is indicated by the amount of imports actually received, because the very possibility of imports exercises a restraining influence upon prices. In this connection I offer as part of my testimony a pamphlet published by the United States-Japan Trade Council in 1966 called *Imports and Inflation*, in which evidence of the restraining effect of imports on prices is clearly set forth. On page 7 of that pamphlet is a table entitled "The Effect of Steel Product Imports Upon U.S. Steel Prices." This dramatically shows the inverse correlation between the volume of imports and the extent of which steel prices have increased. Similar examples could be drawn from other fields.

Inflation brings a wide variety of economic evils, the most obvious of which is that ordinary people have to pay more for the products that they buy. I present as part of my statement another pamphlet published by the U.S.-Japan Trade Council called *How About the Consumer?* This pamphlet draws attention to the important service rendered by imports—largely ignored in most discussions of trade policy—of making a wider variety of products available at lower prices.

Secondly, the enactment of the pending bills would be unfortunate for the American economy because it would inevitably lead to a serious decline in American exports. At this point, I should like to offer as part of my testimony two statistical publications of the U.S.-Japan Trade Council: (1) *United States Imports from Japan, 1966;* and (2) *United States Exports from Japan, 1966*, both by customs districts. The commodity categories and total on the left-hand side are all we need for present purposes. Note first that iron and steel imports, top of page 6, from Japan, totalled $538 million in 1966. Note second, bottom of page 4, that textile articles were imported to the value of $243 million, and clothing to the extent of $167 million, a total of $410 million. Thus, the bills on textiles and steel alone would control almost one billion dollars of American imports from Japan in 1966—to say nothing of the array of other products entering into the grand total of almost $3 billion imported from Japan last year that could be affected by the more general quota bills under consideration.

Since 1960 U.S. trade with Japan, both ways, has totalled $22 billion, with imports and exports almost evenly balanced. The congruence of a flourishing economy in the United States and a recession in Japan led to a balance in trade in favor of Japan in 1966. However, over a longer period of years, the balance has been in favor of the United States, and the trend in 1967 is decidedly more favorable to the United States than last year. Japanese exports to the U.S. in 1967 are up only two percent in the first eight months while our exports to Japan are up 20 percent over the same period. Moreover, while a direct comparison of imports and exports is frequently convenient in the trade with Japan, this trade is not conducted on a bilateral basis, and it has properly to be examined in a multilateral framework.

When we look at 1966 exports to Japan (the green pamphlet) we see that of the $2.3 billion that the U.S. shipped in 1966, over $480 million consisted of food and feeds, and this of course was mostly grains: wheat, corn, soybeans. We see cotton valued at $113 million, oil seeds (soybeans) valued at $222 million, tobacco, hides, and skins, a total of about $950 million in agricultural products. In 1967 over a billion dollars in America agricultural products will have been shipped to Japan. And then we see another big category, machinery and transport equipment, $440 million, including aircraft valued at $110 million; $48 million in office machines; and $47 million in power generating machinery.

These figures are simply a brief illustration, which could be expanded at length, of the fact that America ships to Japan the products of its most efficient industries, its farm products, its computers, its aircraft, and many other things, and receives from Japan those products in which the United States is not necessarily inefficient or even less efficient than Japan, but for which the comparative advantage tends to favor that country. If we choose to deny American markets for Japanese steel, Japanese textiles, and Japanese miscellaneous manufacture-

of various kinds which are also produced in the United States, then we are denying to our most efficient producers the opportunity to sell their goods abroad and it is the American people, as a whole, that will be the poorer for it.

These exports could be affected in two ways. First, if the United States violates the engagements which it has only just entered into in the course of the Kennedy Round to admit goods into the United States at the lower tariffs which were there provided and without quantitative restrictions, and then other nations have the right to retaliate against our products, as we retaliated several years ago against the products of the EEC in the so-called "chicken war." Second, even without a deliberate decision to retaliate, injury would be inevitable because the impairment of Japan's sales to the United States would inevitably mean the impairment of Japan's ability to buy. Since the United States is Japan's principal supplier, this means impairment of the ability to buy mainly from the United States.

We have been examining in detail, of course, the trade between the United States and Japan, but what has just been said is applicable to U.S. trade with Europe and indeed with the whole world.

UNFORTUNATE CONSEQUENCES FOR INTERNATIONAL RELATIONS

I should like now to refer to the consequences of the proposals in terms of the international relations of the United States. Trade agreements which have been entered into have contained so-called "escape clauses" and there are various means, from a legal standpoint, whereby parties to the agreements may take action to protect a particular industry which is considered to be in serious danger of injury from imports. But if such measures extend over a wide variety of products, and if they are not based upon serious and well-founded dangers of intolerable dislocations within the economy of the receiving country, then such measures destroy the structure of international economic cooperation. As the largest and the wealthiest trading nation, the United States sets the pattern. The enactment of legislation along the lines of proposals now pending before this Committee would mean the end of a whole era in international economic cooperation. It would cause the free world to collapse into autarchic states or trading blocs, each the poorer for its inability to trade freely with the others.

This would also have the most serious possible political consequences, in terms of the ability of the United States to wield its power effectively toward peace and international cooperation. No no area would this be more serious than in the far Pacific and Japan.

We tend to dwell more on our problems than our successes, but it is important to note that the postwar history of Japan is a remarkable success story for both the Japanese people themselves and for American policy toward that nation. From the ashes of defeat and destruction, Japan has achieved a modern technological society comparable to many parts of the United States and Europe, the highest economic growth rate of any country in the world, and a democratic political system. It is a shining beacon to all the peoples of the underdeveloped world, particularly in Asia. And, most important for present purposes, it is a vital part of the United States security system. Our naval vessels use the ports of Japan, and one of the most important overseas air bases of the United States is located by Japanese consent on Japanese territory—Okinawa. At this very moment, the Prime Minister of Japan is on a visit to South Vietnam. It remains true, as we said in a paper submitted to a Congressional Committee in 1958, that "The United States can feel confident of Japan's role only so long as the people of Japan are convinced that their interest lies in such cooperation. The people of Japan are now so convinced, and their own commitment to the free world and the principles of the United Nations is so great, that they will not easily alter their view. Their first consideration, however, in the mind of a Japanese, as in the minds of people the world over, is that he and his family have a decent living. Competing perhaps with this consideration for the first place is self-respect. It is true, therefore, in a very real sense, that the United States can count upon Japan as a friend so long as Japanese are satisfied that on the whole policies of the United States are compatible with Japanese livelihood and Japanese self-respect."

We must remember that Japan's economic dependence on the United States is much greater than U.S. dependence on Japan.

In 1966, imports from Japan were 11.4 percent of total U.S. imports, and only 0.4 percent of U.S. GNP. Japan's imports from the U.S. were 27.9 percent of its total imports, and 2.8 percent of its GNP.

In popular terms, this lopsided interdependence is expressed by the fact that while these hearings today are receiving modest attention in the press in most cities of the United States, they are undoubtedly making headlines in the newspapers of Japan.

GENERAL PROBLEMS OF IMPORT QUOTAS

I come now to the problems presented by import quota legislation of the nature that is being considered by this Committee.

The inherent vice of all quotas, of course, is that they distort the normal patterns of trade and do not permit market forces to operate freely. In this respect, they are worse than customs duties. A limit on the quantity of any particular commodity that may come in either creates a chaotic struggle for priority—distorting normal business decisions in the interest of participation in the limited supply—or, like a cartel, involves some mechanism for allocation of the quota among exporters or importers or both. The disturbance to trade resulting from such restrictions can hardly be exaggerated. Because of them, importers have been unable to gain access to a source of supply, have had to pay premiums for quotas assigned to others, or have made their purchases when they were able to get the goods at the additional cost of higher prices or storage charges to keep them until needed. These handicaps to importers have been reflected in damage to consumers, in terms of higher prices or limited supply or both.

It is hardly necessary to point out that the principle of governmentally fixed limitations on imports for a wide range of goods is altogether opposed to the principles of economic freedom on which this nation has grown great and is much closer to the cartel philosophy that the U.S. deplores when practiced by other nations. One of the reasons for the vigorous growth of the U.S. economy is that it has resisted the notion that any group of producers has a fixed right to a share of the market, whether it be threatened by technological innovation, a shift to lower wage areas within the United States, improved transportation, imports from abroad, or some other factor.

In a discussion of quotas, the distinguished Harvard Professor of Economics, Gottfried Haberler, said:

"* * * importing * * * ceases to be a business where entrepreneurial ability and sound business judgment determine who wins. Under the quota system the Government has to decide who is going to do the importing and the allotment of an import license become equivalent to a Government handout.

"Anyone who asks for * * * quotas * * * in effect asks for Government handouts and, whether he knows it or not, demands the replacement of the businessman and market forces by public officials and Government fiat.

"It is for this reason that I said before the quantitative restrictions on trade and payments * * * are poison to the Free Enterprise System."

Americans have bitterly resisted internal controls over the economy, and when they became unavoidable in World War II, got rid of them as soon as possible. The proposed legislation, nevertheless, proposes to install similar odious controls over the import trade of the United States, involving not only the limiting of imports but a vast and complex bureaucratic machinery. We suggest that this Committee ask the Department of Commerce and the Department of Treasury how many people are employed in the administration of the controls on cotton textiles, how many man-hours are spent, how many pages of publications are spewed forth, and what the administration of this program costs the taxpayers of the United States.

We recognize that it is hard to explain why, if systematic quantitative controls are appropriate for cotton textiles, they are not appropriate for other commodities. I think we gave the answer back in 1956 and 1957 when I was personally engaged in an attempt to avert this very result for cotton textiles. When the agreement was made I wrote in a pamphlet of March 1967 published by the predecessor of the U.S.-Japan Trade Council, the Council for Improved United States-Japanese Trade Relations:

"These controls are not tolerable for Japan or in the best interests of the United States if they should become a pattern for limiting every import which aggrieves some domestic interest * * * widespread extension of this practice would be the death knell of the United States liberal trade policy * * *."

More authoritative is the recent comment made by George Ball, who was Under Secretary of State when the multilateral cotton textile agreement was made. Permit me to quote an exchange between Mr. Ball and Representative Curtis during hearings of the Subcommittee on Foreign Economic Policy of the Joint Economic Committee on July 20 of this year:

"Representative CURTIS. * * * I have been deeply concerned with whether we haven't in many, many instances been replacing the tariff technique for regulating trade with something that I would regard as much more regressive. I refer to the license and quota approach. And I think the Long-term Cotton Textile Agreement would give grounds for this concern.

"Of course, we have had the sugar license and quota setup for some time. And we now have an international coffee agreement. We are talking about an international cocoa agreement. And they are talking about extending the cotton textile agreement to include wool and man-made fiber. We have got the oil import quota arrangement. Do you see a danger of moving forward to what we call mercantilism at the same time we have been taking down the tariff barriers, so that we will end up with not having keyed up trade, but having restricted it by the use of the other techniques?"

"Mr. BALL. You touch on a very sore point, Mr. Curtis, because I invented and negotiated the cotton textile agreement, and it has always been on my conscience. I think it was a bad thing. But I did it only because if I hadn't I was very much afraid that Congress was going to impose mandatory quotas, which would have been even worse."

We respectfully suggest that proposals such as the Smith bill, the Muskie bill or the Dirksen proposal which would establish a generalized formula for triggering some sort of limitation on imports are impossible, unless they are framed in such reasonable and moderate ways that they are tantamount to the type of escape clause investigation which has always been in the law.

Consider the effect of the standards that would trigger mandatory quotas in the proposal circulated by Senator Dirksen. The first standard (found also in the Muskie bill), is an increase of 50 percent in the market share held by imports over five years. This could mean that imports went from 10 percent to 15 percent of the market while domestic production was doubling. It has often happened that there is a large increase in the market for a particular line of goods in which imports share along with the domestic production.

The same comment applies to the second standard, an increase in imports at a rate averaging 10 percent per year over five years. Such an increase does not necessarily mean that there has been any reduction of sales from domestic production.

The last criterion of the Dirksen proposal is even worse: importation at landed costs more than 10 percent below the wholesale price of the like or competitive article. Since the importer has to make his markup, and this is usually more than 10 percent, this standard would be met by almost any line of merchandise that sold at the same price level as the domestic goods. And yet most imports sell at wholesale somewhat below the comparable domestic merchandise for the simple reason that if they didn't, they couldn't sell at all. Considerations of familiarity, delivery and service cause the domestic article to sell at a premium over the imported article, except in those cases which we all know but which are statistically unimportant—where the import enjoys superior prestige.

As soon as you seek to establish a set of standards that would make relief mandatory at the behest of every industry whose members think it should have relief, then you have struck at such a wide area of imports that the result is the destruction of present trade policy.

You have so many bills before you and there have been so many reports on various modifications and variations that I hesitate to discuss the effect of any particular proposal upon Japan's sales in the United States. Since Japan sells a very wide area of goods in the American market and since sales in toto have grown in 10 years from $600 million to just under $3 billion, it is obvious that any general quota legislation could affect a large number of products from Japan. What products would actually be affected involves technical judgments under a law whose precise terms we cannot now know. Suffice it, therefore, to mention some of the products of Japan which have been on the increase in recent years: tape recorders and other electronic products, automobiles, motorcycles, airplanes, musical instruments—in addition to steel, textiles, clothing, and plastic footwear.

Imports have to start somewhere and their rate of increase in the first years is always phenomenal percentagewise. Experience indicates, however, that every line of goods that has come in from Japan settles down at some natural level. Even where the price and quality are advantageous, there are generally many factors that keep it from dominating the market. If 10 years ago anyone had predicted the rate of growth for Japanese manufactures in the American market that was actually achieved, it would have seemed to many American producers

to portend a catastrophe; and yet the fact is that these goods have generally found their niche in the American market without undue disturbance and sometimes to the advantage of the American producers of like products rather than to their disadvantage.

I would now like to move along to some of the specific import quota bills here under consideration:

NO NEED FOR IMPORT QUOTAS ON STEEL

During the past several years, the largest dollar-earner for Japan in exporting to the United States has been steel mill products. Naturally, our Council is, therefore, much concerned about the Hartke bill, dealing with steel alone and the Dirksen proposal which would strike at these exports.

As all here are aware, imports of steel mill products into the United States were inconsequential until the lengthy steel strike of 1959. Therefore, we are confining our review of the U.S. steel market situation to the intervening years—1960 to date. If the United States steel industry is having difficulties, this is the only time in which growing imports could have been a contributing factor. Obviously, the U.S. steel industry has not seen a rate of growth in recent years comparable to that of newer and more dynamic industries—electronics, computers, jet aircraft, etc. However, I direct your attention to Table 1, attached; from 1960 to the end of June 1967, according to the FTC and SEC, steel industry sales have increased by $6 billion; net profits have increased by $239 million; liquid position (current assets minus current liabilities) has improved by $1 billion; earned surplus and surplus reserves have increased by $1.9 billion; current assets have increased by about $2 billion; investment in property, plant and equipment (after depreciation) has increased by $2.6 billion; total assets have increased by $5 billion; and stockholders' equity (total assets minus total liabilities) has increased by $2 billion. These figures do not seem to me to portray an industry materially damaged for foreign competition.

It has been maintained, by a kind of modified straight line projection, that steel imports into the United States within ten years would reach "a staggering 40 million tons." We acknowledged that neither the U.S. industry nor the U.S. Government could view such a prospect with equanimity. On the other hand, let me draw your attention to Table 9, attached to my written statement. This table is extracted from a recent book published by the University of Michigan and presents an entirely different view of the future U.S. steel market. The book's section on steel was written by the marketing research director of McLouth Steel Corporation, who should not be considered inexpert on the subject. This article projects, not only a steadily growing demand for steel in the United States, but by 1980 a virtual balance between U.S. steel product exports and imports. Whoever is right in crystal-balling, we submit that the present situation is far from justifying a reversal of the long-standing liberal foreign trade policy of the United States in the interest of the steel industry.

It has been contended that steel imports represent jobs that would otherwise be held in the United States. In the first place, even the most extreme proposals by the domestic industry would not suggest eliminating *all* imported steel. Second, the job loss figures totally ignore jobs generated in the handling and fabrication of imported steel. Third, they totally ignore the American jobs created by U.S. exports—jobs that would not exist if American trading partners abroad had not the dollars to purchase the farm and industrial products from this country. Fourth, while there undoubtedly exists in some communities in some parts of the country some distress with respect to steel layoffs, statistics published by the American Iron and Steel Institute indicate that total employment in the industry increased from an annual average of 571.6 thousand employees in 1960 to 575.5 thousand employees in 1966; from the same source, wage employees (production workers) showed a slight decrease from an annual average in 1960 of 449.9 thousand workers to 446.7 thousand workers in 1966—at the same time, industry shipments (sales) increased by 26 percent. Furthermore, metal trade publications have for the past six months been pointing out the shortage of skilled steelworkers in the growing Chicago area and describing the efforts of the steel companies there to induce the migration of skilled steelworkers into that area. We strongly doubt that any reputable steel economist would endorse the figures on import-generated job losses that have received such wide publicity.

Much has been made of lower steel wages abroad, a fact which is indubitably and inevitably true. Foreign steel workers, operating in economies and societies

much less wealthy than the United States, could not possibly be paid the equivalent of about $4.60 per hour. However, I believe that for most steel producing countries—and I know that for Japan—steel employees are among the highest paid group of workers in their own countries. Allegations of "cheap labor" are unfounded. Furthermore, while U.S. steel wages have increased at a steady pace, steel labor productivity has increased even more. I draw your attention to Tables 4 and 5, indicating that from 1960 to 1966 industry sales and shipments have risen more rapidly than have employment costs, whether measured by total employees or by production workers. We maintain that such unemployment as may exist in the steel industry is far more the result of technological advances and more intensive capital investment than it is of rising steel product imports.

The U.S. steel industry has claimed with pride that it is spending money for research and development at an annual rate well above $150 million, implying that the industry is not laggard in foresight. It is true that in recent years, the industry has indeed increased its effort to make up for its lack of innovation in five years. However, in this connection, permit me to quote from an article entitled "The Trouble with Steel," from the prestigous *Challenge/The Magazine of Economic Affairs for July/August 1967:*

"The record of the steel industry in this respect is rather shocking. Thus a 1966 report of the National Science Foundation revealed that in 1964 the steel industry devoted less of its sales dollar to research and development than all but three of the 16 industries surveyed. The industry spent only 60 cents of every hundred dollars of sales revenues on R&D, compared to a $1.90 average for all manufacturing industry. Even more revealing, all the industries that produce substitutes for steel products—aluminum, cement, plastics and glass—spent more on R&D than the steel industry, sometimes five and six times as much."

Vague and generalized statements have been made that, compared with the United States steel industry, foreign steel industries have been greatly advantaged by their respective governments in terms of financing, export promotion, and import protection of their home markets. These widely disseminated assertions, upon examination, are best characterized by their total lack of specific detail. With regard to the European or other steel industries, we must leave answer to others more knowledgeable. We believe that the allegations are lacking in substance insofar as the Japanese steel industry is concerned.

It has been stated that the Japanese industry "is heavily favored in terms of capital supply." Statistics on this matter, for the years 1960 through 1966, have been submitted to the staff of this Committee in connection with the study being made by Professor Weidenhammer. An examination of these figures does not bear out the allegations. First, governmental loans to the steel industry are at the same rate of interest as those from private banks; this rate (8.2 percent per annum) can hardly be considered favorable, especially when compared with the rate at which the U.S. steel companies are able to borrow money. Second, at *no* time, over this seven year period, have governmental loans exceeded 1 percent of new capital for the industry. Third, the major sources of new capital for the industry have been the flotation of bonds, the increase of capitalization by the increase of shares, and loans from private-commercial banks. Over the period, the new financing provided by foreign loans (the World Bank, the U.S. Eximbank, etc.) has rapidly decreased and by 1966, the payment of interest on these foreign loans is well in excess of new capital so acquired. By and large, over the period, the major source of new investment has been retained profits and depreciation; this is not unlike the experience of most U.S. steel companies. Thus the Japanese government has played a small role in the capital supply of that nation's steel industry.

Since Japan became a full-fledged Article 8 member in April of 1964 of the International Monetary Fund Agreement, no special income tax advantage has accrued to export industries, whether steel or other. Japan, like the United States, has an Export-Import Bank to help promote Japanese exports of all kinds. In the national interest, the Japanese Ministry of International Trade and Industry has exhorted its industries to extend their best efforts to expand exports, just as the United States Department of Commerce has exhorted American industries. Export goals have been set, which industries try to meet; this can hardly be considered much different from the U.S. Government's efforts to promote exports and to discourage investment abroad—on the basis of voluntary industry action.

It has been said that the Japanese steel market is "insulated from steel imports." We would like to point out that, during the recent Kennedy Round,

the Japanese duties on steel imports were reduced by an average of 50 percent (see Table 10). The problem for prospective United States exporters of steel to Japan is not really non-tariff trade barriers; it is rather that the prices of United States steel products are such that they could not be sold in the Japanese market, whether or not non-tariff import trade barriers existed. A Vice President of the Bethlehem Steel Corporation testifying before the Federal Maritime Commission in hearings involving freight rate differentials between the United States and Japan said that, even if there were no ocean freight charge for the export of his steel to Japan, Bethlehem could sell little steel in the Japanese market because it could not meet the Japanese home market prices.

In any event, it is our understanding that—contrary to the usual assertions—the Japanese Government does not exercise a restrictive import licensing system (with a few minor exceptions in certain small varieties of speciality steels).

We wish to draw your attention to Table 7 attached. It should be noted that in the first seven months of 1967, steel from Japan represented in volume only 93 percent of Japanese steel imports over the same period of 1966; this compares with a total steel import in the first seven months of 1967 of 108 percent of the similar period of 1966.

To seek quotas on steel imports is to seek an extraordinary degree of protection. That is obvious. It is equally obvious that a country dedicated to private enterprise cannot lightly or easily impose quotas on products competitive with those of its own industries. Extraordinary reasons must support extraordinary restraints. These extraordinary reasons have not been demonstrated for the United States steel industry, and, I submit, cannot be demonstrated. It may be that this industry has not experienced the growth which other industries have experienced or that steel industry stocks are less attractive to speculators than the stocks of other industries or that company profits are less massive than in other industries. These facts, in themselves, even if true, do not furnish reasons sufficient for quotas—particularly when the industry has shown a steady pattern of growth which, whatever its impressiveness in *relative* terms, is undeniably impressive in *absolute* terms.

A detailed analysis of S. 2537 is included at the end of this statement.

NO NEED FOR IMPORT QUOTAS ON TEXTILES

Other significant items in the import trade from Japan that would be affected by measures before this Committee are textiles and apparel, which together totalled $410 million in 1966. It is clear that there has been no injury to the domestic textile and apparel industries by these imports.

In the case of wool textiles, imports have been declining for two consecutive years and indications based upon forward orders are that there will be a further decline in 1968.

At the same time, the *Daily News Record* reports "Worsteds are Booming, Mills Booked Well Ahead." The article continues "Domestic worsted business is booming. Fabric buyers for clothing producers indicate delivery dates for fall 1968 fabrics are becoming extremely tight." The price of Japanese worsteds has increased substantially over the last year, a trend which we expect to continue.

In the worsted trade, Japan is selling very high quality fabrics which have their own markets and do not compete to any appreciable extent with worsted cloths produced by the domestic industry. Japan has been strongest in the field of silk-worsted blends, a specialty which simply cannot be duplicated in the United States.

There is no question that the Japanese worsteds along with British and Italian worsteds have a large share of the business in fabrics for men's suits in the more expensive lines. On the other hand, the domestic industry is practically without competition in its principal line, cheaper worsteds for low cost suits, slacks and casual clothes which fields are growing more rapidly than the suit market.

Imports have increased from 1965 to 1966 in the field of manmade fiber products. This was primarily to meet the conditions of extraordinary demand in 1966 when the domestic industry was short of supply. As a matter of fact, a very large proportion of imports from Japan in the manmade fiber products field were yarns—and the customer for yarns could be no other than the United States textile industry itself. Imports of manmade fiber products from Japan are considerably down in 1967, reflecting a change in demand patterns.

In the first half of the year of 1967, imports of manmade fiber products from Japan declined by 9.5 percent compared to the first half of 1966.

Imports from Japan of cotton products declined by 8.2 percent and of wool products by 12.4 percent comparing the first half of 1967 with the same period in 1966.

Given the strong record of the United States industry through 1966 and the recovery from the general economic dullness of 1967 already evident, it appears to us that quotas on textiles are entirely inappropriate. Subsequent witnesses will point out the detrimental consequences of adoption of such restrictions.

NEED FOR IMPORT QUOTAS ON OTHER PRODUCTS

Footwear

The position of the American footwear producers with respect to imports ignores two very important factors. First, the imports of Japanese footwear about which the National Shoe Manufacturers Association is complaining are almost all footwear with vinyl uppers. According to the Department of Commerce, approximately half of all imports consist of such products, and they had an average f.o.b. value in 1966 of 54 cents. Most of them were for women and misses, and they had had an average f.o.b. value in the first six months of 1967 of 50 cents.

Now, 50 cents f.o.b. means that these shoes are selling at retail somewhere around $1.50, perhaps from $1.39 to $1.89. From American production, there is no serviceable footwear available at all in this price range. This means two important things: that these products are not displacing American sales on anything like a one-to-one basis because the people who buy them would often not be buying a more expensive shoe; and that imports are rendering a great service in making footwear available for poor people at a price that they can afford.

The second factor which should be noted is that there is today, and has been for several years, a shortage of labor in the American footwear industry. The trade press has been of stories about the difficulties in obtaining labor. The shoe industry itself has often recognized the problem. *The jobs said to have been lost in the shoe industry are theoretical jobs for which there are no workers to fill.* For this reason, there is a great impetus to shoe production in Puerto Rico and stress upon training shoe workers there. From the standpoint of the American economy, imports have been serving the valuable traditional function, of making it possible for American labor to concentrate on the more sophisticated higher paid efficient lines of production.

Electronics

The plea for quota restrictions on imports of electronic products clearly comes from only a segment of one of the United States' most sophisticated, specialized, world-wide industries. The United States is a substantial net exporter of electronic products and has investments, joint ventures and licensing agreements throughout the free world.

This is preeminently an industry where the theory of comparative advantage is carried out in practice. The United States exports products where it has a technological lead, e.g., computers, and imports less sophisticated electronic products.

Even in the consumer product segment of the industry in its operations in the U.S. market you find U.S. companies specializing in higher priced items and filling out their lines with lower priced products obtained abroad. Many U.S. producers of consumer electronics are sharing in a growing market that was created by foreign producers, e.g., pocket-sized transistor radios and small-screen TV's from Japan.

Because of standardization there is an international market for components. Here again the U.S. industry has large export earnings.

U.S. production has been rising, whether considered in terms of general electronics, consumer electronics or electronic components. Indeed, there have even been short supply situations. Congress itself acted to allieviate a tight supply situation in color TV tubes (P.L. 89–241); similarly, several Congressmen are seeking liberalized treatment for electronic vacuum tubes.

It would be clearly shortsighted to approve an electronics quota bill. The strongest initial adverse impact would be felt by U.S. companies in the electronics industry itself. They have come to rely on certain imported components and finished products in their drive for specialization. The products of this industry play such a pervasive role that inflationary price effects would be felt very quickly throughout the U.S. economy. Because the U.S. electronics industry has a large export surplus, its own products would be obvious targets of retaliation.

These considerations demonstrate that S. 2539 would be adverse to the interests of the U.S. electronics industry and patently adverse to the U.S. national retaliation.

Lead and zinc

It was just two years ago that rigid quotas on lead and zinc were removed after being in existence since 1958. Toward the end of the quota period, the U.S. Government had to make emergency sales from its stockpile to satisfy domestic demand. With or without a quota, domestic smelters have never been able to produce sufficient quantities of certain types of lead and zinc, e.g., special high grade zinc. Despite this supply situation, domestic smelters were back in quickly to ask for more quotas.

Yet, if the Congress had acceded to this request the United States would already have had to nullify the limitations because of recurring strikes in the domestic industry.

Furthermore, the conditions of the smelters is at variance with their request for restrictions. The hearings earlier this year on S. 289 before the Senate Committee on Interior and Insular Affairs revealed that the domestic producers have enjoyed very substantial increases in net income and have made large investments in new capacity, especially for lead. The current decline in prices received by the smelters is attributable in large part to the general downturn in automobile production which has been greatly aggravated by the Ford strike.

S. 289 grants flexible access to imported concentrates but is highly restrictive with respect to metals. The bill is obviously designed to favor the smelter to the detriment of the independent industrial consumer—indeed, to the detriment of the national interest. For the passage of this measure would lead to increased costs and prices for basic industrial products in a period of strong inflationary pressures in the U.S. economy. Quite apart from retaliation, these increased prices will adversely affect both the international competitiveness of these basic industrial products and the U.S. balance of payments. Of course the probability of retaliation must be weighed very seriously because most of the supplying countries are already in a deficit position in their trade with the United States.

Not the least of our objections to this measure is that it looks to a base when quotas were in existence and immediately thereafter in a period before the supply-demand situation had adjusted to a free market. This, in effect, freezes the trade into a pattern existing prior to 1958 (when the quotas were first instituted.) This unjustly penalizes new suppliers, such as Japan, and their customers.

We do not believe the free market has been given adequate time to bring about necessary adjustments in the somewhat volatile lead and zinc market. At any rate, a quota could never eliminate some of the volatile factors, such as strikes, and would aggravate the supply situation, add to inflationary pressures and worsen the U.S. balance of payments deficit.

Glass

Imports of flat glass also have been under attack in testimony before this Committee and elsewhere. These complaints have come from an industry that is in an exceptionally healthy profit position, that engages in very favorable international operations, and that already enjoys special protection from certain imports.

Libby-Owens Ford Glass Company, as one of the principal companies in the industry, has consistently maintained one of the highest ratios of net profit to sales of any major U.S. corporation. The annual "Fortune 500" shows this profit ratio has ranged between 23 and 30 percent in the last several years for L.O.F., and around 10 percent for the Pittsburgh Plate Glass Company.

Public statements by industry executives confirm that the relative decline in 1966 fom these exceptionally high levels is attributable to declines in automobile production and residential and building construction, on which the industry depends so heavily.

This industry is reported to have substantial investments in productive facilities in Europe. Its technological superiority is the basis for worldwide licensing arrangements and is also the best guarantee against loss of markets to imports.

Plate and float glass, which account for the major portion of flat glass production, enjoy an export surplus. In fact, U.S. exports of these products have increased steadily from 16 million square feet in 1961 to 42 million square feet in 1966. On the other hand, imports of these products have never exceeded 7

percent of domestic consumption and their share of the U.S. market has actually declined in the last six years.

The sheet glass segment of the industry has been under the special protection of escape clause restrictions since 1962. The alleged difficulties of this segment have been the subject of extensive annual review by the Tariff Commission. Sheet glass was exempt from any duty reductions in the Kennedy Round. And now, President Johnson has extended the escape clause restrictions on certain sheet glass imports until 1970.

In short, this is a healthy industry that does not need any additional protection. Furthermore, a decade surely should be adequate time for an industry with such favorable capital and technological resources to adjust to competition without the crutch of escape clause restrictions.

ANALYSIS OF S. 2537, THE STEEL QUOTA BILL

The general objections which can validly be made against any quota bill apply to S. 2537. Apart from these, however, and apart from the objections to limiting imports at all, there are serious objections to the plan envisaged by S. 2537.

A basic defect in the bill is that a country will not, in any quota year, actually be able to ship to the United States the tonnage of iron and steel which the quota formulae appear to promise. In fact, actual tonnage shipped will probably be importantly less than tonnage promised.

(1) The bill provides for narrowly defined product lines of imports. What amount of any given product can be sold in a market in any given quota year will, of course, depend upon demand for that product; and demand in the United States market is something no government can guarantee. Demand for a product is not necessarily constant from year to year and is not necessarily growing. Thus, although certain product categories will be filled in a given quota, others, because of variances in demand, will not be filled. There will be no market for the full quota. This means total U.S. steel imports below the total quota as well as reduced imports from a given country.

(2) The bill provides for quotas on a minimum of 160 product lines and a maximum of 199 product lines. Certain of the 39 "variable" product lines (e.g., parts of electrical articles, n.s.p.f.) are major import items but not in the conventional sense iron and steel items. To the extent that these items come under quota, the *total gross* quota and the *country gross* quotas will accommodate that much less in iron and steel products, as these are generally understood. A surge in imports in electrical articles would thus entail a decrease in imports of steel mill products from foreign steel industries for reasons unrelated to trade in steel imports.

(3) The bill provides that no more than 60 percent of total allowed annual imports will enter in a six month period. This is designed to prevent a surge of imports in anticipation of a strike. It will also penalize those items which are shipped according to seasonal demand and new items for which a market may be created in any six month period, but which are reported under a TSUSA seven-digit number. Of course, this penalizes consumer and supplier.

The mundane facts of administration would also likely combine to penalize imports under this provision. There is no provision in S. 2537 for a carryover of unused quotas from one year to another. There is no provision for interim quotas. Conceivably, the Secretary of Commerce, who is authorized to issue regulations to implement the Act, could refuse to issue quota allocations until final consumption figures are in. Since these figures are not usually available until late spring, this would mean that at least 40 percent of allowable imports would have to be entered within a two or three month period, or less. Given the difficulty of obtaining firm orders under these circumstances, this is not likely to happen, and hence the full quota would not be utilized.

(4) The bill authorizes the President to adjust the amount of imports from any country in any product category, subject to the overall quantity limitations which are applicable to negotiated quotas. The President is admonished to be guided by historical import patterns, although he may modify these patterns to accommodate the interests of the less developed countries or other unspecified conditions of world trade. But no standards are required of the President, and thus no country can be certain that it will be able to ship the tonnage for which it has negotiated.

Besides the fact that, in practice, imports into the United States will not equal the total import quota available to a country, S. 2437 would create administrative problems of a very large order.

(1) The bill is silent on the allocation of product line quotas to particular countries. This must result in one of two things. First, the product line quotas

for countries either may be negotiated or unilaterally imposed. Whether negotiated or imposed, countries cannot expect to ship this promised tonnage for the reasons given above. Second, if there is no allocation of product line by country, there will be a scramble to make entry and actual shipments may terminate shortly after the beginning of a quota period. Sales and entries would not necessarily coincide, and thus inventory expenses would raise the cost of imported steel.

(2) The bill will create administrative difficulties for the exporting country. It makes no provision, of course, for allocations of quotas among exporting companies in foreign countries. This means that the government of the exporting country must either allocate shares of the quotas on a product line basis among its producers, thus bureaucratising the channels of distribution, or resign itself to an unregulated scramble for orders and shipping space.

(3) The bill makes no provision for allocating the right to obtain a share of the quotas among potential United States buyers. Regulation by the Federal Government of channel distribution is unlikely and unauthorized by the bill. Depending on the line and market demand, therefore, there will either be a glut of an available product line or a disruptive scramble by buyers to obtain certain sources of supply. The result can only be market disruption.

(4) The bill requires the Secretary of Commerce to review at least once a year imports through any port of entry to determine whether imports are causing regional market disruption. This provision is highly offensive for two reasons. First, the administrative burden it creates is immense. There are 289 ports of entry in the Customs territory of the United States (19 C.F.C. § 1.2(c)(0) and, as indicated above, S. 2537 would affect between 160 and 199 product lines. The Secretary is required to undertake an investigation whether or not there is evidence of any kind of market disruption. It requires no imagination to foresee the quantity of man-hours and, indeed, the number of civil servants necessary to conduct the investigations required by the bill. Second, this provision makes it clear that no country can be confident that its exporters will ship the full quota which it has negotiated with the United States or which the President has proclaimed. This is because the bill does not define what constitutes market disruption and experience under the Long-Term Cotton Textile Agreement indicates that market disruption is defined, in practice, as simply a complaint by a domestic competitor (whether or not there is any meaningful justification of the complaint). No distinction is made between the sniffles and pneumonia.

The remedy for "market disruption" which the bill provides is a regulation by the Secretary of Commerce to the effect that imports from any nation in any category of total imports through a given port shall not exceed the proportionate share of imports during the proportionate base period. The effect of this provision is that declining markets shall, as a matter of business economics, result in fewer imports while growing markets will be stunted because market growth has been locked into a base period where imports had not yet realised potential market volume. Again, actual shipments will fall short of the promised quota.

TABLE I.—SALIENT FINANCIAL STATISTICS: U.S. PRIMARY IRON AND STEEL INDUSTRY

[In millions of dollars]

Year	Sales	Net profits [1]	Liquid position [2] [3]	Earned surplus and surplus reserves [3]	Current assets [3]	Property, plant, and equipment [3] [4]	Reserves for depreciation and depletion [3] [5]	Total assets [3]	Stockholders' equity [3]
1960	18,590	945	5,089	7,916	8,131	9,946	10,678	19,091	13,021
1961	17,532	803	5,460	8,017	8,547	10,176	11,242	18,793	13,115
1962	18,555	720	5,525	8,084	8,356	10,049	11,941	19,568	13,225
1963	19,435	938	5,837	8,463	9,109	10,055	12,743	20,262	13,592
1964	21,933	1,225	6,012	8,978	9,752	10,614	13,712	21,464	14,083
1965	24,451	1,401	6,270	9,097	10,346	11,401	14,639	22,907	14,597
1966	25,735	1,487	6,234	9,573	10,649	12,240	15,699	24,183	14,853
1st half 1967	12,330	592	6,142	9,799	10,104	12,635	16,231	24,134	15,047
Change: 1960 to June 30, 1967	[6]+6,070	[6]+230	+1,053	+1,883	+1,973	+2,689	+5,553	+5,043	+2,026

[1] After Federal taxes.
[2] Current assets minus current liabilities.
[3] At the end of the period.
[4] Deducting reserves for depreciation and depletion.
[5] Of property, plant, and equipment.
[6] Estimated annual rate for 1967 at twice 1st half performance.

Source: Quarterly financial reports for manufacturing corporations, Federal Trade Commission, and Securities and Exchange Commission.

TABLE 2.—GROWTH IN U.S. STEEL INDUSTRY PROFITS

[Dollar amounts in millions]

Year	Sales	Stockholders equity	Net profits [1]	Profits as percent of— Sales	Profits as percent of— Stockholders equity
1960	$18,590	$13,021	$945	5.1	7.3
1961	17,532	13,115	803	4.6	6.1
1962	18,555	13,225	720	3.9	5.4
1963	19,435	13,582	938	4.8	6.9
1964	21,993	14,[illegible]	1,225	5.6	8.7
1965	24,451	14,597	1,401	5.7	9.6
1966	25,735	14,853	1,487	5.8	10.0
1967 (estimate)	[2] 24,660	[3] 15,047	[2] 1,184	4.8	7.9

[1] After Federal taxes.
[2] 1st 6 months at annual rate.
[3] As of June 30, 1967.

Source: FTC-SEC quarterly financial reports for manufacturing corporations.

TABLE 3.—U.S. STEEL INDUSTRY SALES PER EMPLOYEE

Year	Industry sales [1] (millions)	Wage earners [2] (thousands)	All employees [2] (thousands)	Sales per— Wage earner	Sales per— Employee
1960	$18,590	449.9	571.6	$41,320	$32,523
1961	17,532	405.9	523.3	43,193	33,503
1962	18,555	402.7	520.5	46,076	35,648
1963	19,435	405.5	520.3	47,928	37,353
1964	21,993	434.7	553.6	50,654	39,727
1965	24,451	458.5	583.9	53,328	41,875
1966	25,735	446.7	575.5	57,611	44,718

[1] Source: FTC-SEC quarterly financial reports for manufacturing corporations.
[2] AISI.

TABLE 4.—U.S. STEEL INDUSTRY SALES PER EMPLOYEE COMPARED TO TOTAL EMPLOYMENT COSTS

Year	Industry sales [1] (millions)	Total employees [2] (thousands)	Sales per employee Amount	Sales per employee Index	Employment costs per hour [2] Amount	Employment costs per hour [2] Index
1960	$18,590	571.6	$32,523	100.0	$3.58	200.0
1961	17,532	523.3	33,503	103.0	3.75	104.7
1962	18,555	520.5	35,648	109.6	3.87	108.1
1963	19,435	520.3	37,353	114.9	3.93	209.8
1964	21,993	553.6	39,727	122.2	4.01	112.0
1965	24,451	583.9	41,875	128.8	4.14	115.6
1966	25,735	575.5	44,728	137.5	4.25	138.7

[1] Source: FCC–SEC quarterly financial reports for manufacturing corporations.
[2] Source: AISI (does not include fringe benefits).

TABLE 5.—U.S. STEEL INDUSTRY SHIPMENTS PER WAGE EMPLOYEE COMPARED TO WAGE EMPLOYMENT COSTS

Year	Industry shipments of finished products (thousands of net tons)	Average number of wage employees (thousands)	Shipments per wage employee		Total hourly employment cost[1]	
			Net tons	Index	Amount	Index
1960	71,149	449.9	158.1	100.0	$3.82	100.0
1961	66,126	405.9	162.9	103.0	3.99	104.4
1962	70,552	402.7	175.2	110.8	4.16	108.9
1963	75,555	405.5	186.3	117.8	4.25	111.3
1964	84,945	434.7	195.4	123.6	4.36	114.1
1965	92,666	458.5	202.1	127.8	4.48	117.3
1966	89,995	446.7	201.5	127.5	4.63	121.2

[1] Including all fringes.

Source: AISI.

TABLE 6.—U.S. STEEL INDUSTRY LABOR PRODUCTIVITY

Year	Ingot production (1,000 net tons)	Product shipments (1,000 net tons)	Average number production workers	Average annual ingot produced per production worker (net tons)	Average annual shipments per production worker (net tons)
1960	99,282	71,149	449,888	220.7	158.1
1961	98,014	66,126	405,924	241.5	162.9
1962	98,328	70,552	402,662	244.2	175.2
1963	109,261	75,555	405,536	269.4	186.3
1964	126,931	84,945	434,654	292.0	195.4
1965	131,181	92,666	458,539	286.1	202.1
1966	134,101	89,995	446,712	300.2	201.5

Source: AISI.

TABLE 7.—U.S. IMPORTS OF STEEL MILL PRODUCTS BY SOURCE

[In thousands of net tons]

Year	Japan	Belgium-Luxembourg	West Germany	France	United Kingdom	Canada	Others	Total
1960	596	968	587	344	209	211	424	3,359
Percent	18	29	17	10	6	6	13	100
1961	597	1,050	499	321	166	304	226	3,163
Percent	19	33	16	10	5	10	7	100
1962	1,071	1,246	460	289	250	367	407	4,100
Percent	26	31	11	7	6	9	10	100
1963	1,803	1,279	539	359	349	583	534	5,446
Percent	33	23	10	7	6	11	10	100
1964	2,446	1,384	676	440	285	692	517	6,440
Percent	38	21	11	7	4	11	8	100
1965	4,418	1,751	1,178	858	720	644	814	10,383
Percent	43	17	11	8	7	6	8	100
1966	4,851	1,612	1,220	764	748	682	868	10,753
Percent	45	15	11	7	7	6	8	100
January-July:								
1967	2,537	1,085	866	469	392	319	526	6,194
Percent	41	18	14	8	6	5	8	100
January-July 1967 as percent of January-July 1966	93	119	164	141	118	89	119	108

Source: American Iron & Steel Institute.

TABLE 8.—TRENDS IN THE U.S. STEEL MARKET, 1960-66

[In thousands of net tons]

Period	Increase in domestic shipments	Increase in imports	Total increase: domestic shipments plus imports
1960 to 1961	−5,023	−196	−5,219
1961 to 1962	4,426	937	5,363
1962 to 1963	5,003	1,346	6,349
1963 to 1964	9,390	994	10,384
1964 to 1965	7,721	3,943	11,664
1965 to 1966	−2,671	370	−2,301
Entire period, 1960-66	[1] 18,846	[2] 7,394	[3] 26,240

[1] Plus 26.5 percent.
[2] Plus 220 percent.
[3] Plus 35.2 percent.

Source: American Iron & Steel Institute.

TABLE 9.—PRODUCTION, SHIPMENT, AND CONSUMPTION OF STEEL, UNITED STATES

[In thousands of net tons]

Year	Steel ingot production [1]	Steel products			
		Shipments [1]	Export	Import	Consumption [2]
Actual:					
1954	88,312	63,312	2,792	771	61,132
1955	117,036	84,717	4,061	973	81,629
1956	115,216	83,251	4,348	1,341	80,244
1957	112,715	79,895	5,348	1,155	75,702
1958	85,255	59,914	2,823	1,707	58,798
1959	93,446	69,377	1,677	4,396	72,096
1960	99,282	71,149	2,977	3,359	71,531
1961	98,014	66,126	1,990	3,163	67,299
1962	98,328	70,552	2,013	4,100	72,639
1963	109,261	75,555	2,180	5,446	78,821
1964	127,076	84,945	3,281	6,440	88,104
1965 [3]	131,462	92,666	2,496	10,383	100,553
1966 [3]	134,101	88,995	1,724	10,753	98,024
Forecast:					
1970	155,000	111,756	4,431	11,000	118,325
1975	183,000	137,756	5,513	9,000	141,243
1980	206,000	162,156	6,477	7,000	162,678

[1] The tonnage difference between ingot production and steel shipments is the result of in-plant yield and does not reflect an inventory buildup.
[2] Consumption equals shipments minus export plus import.
[3] Added by United States-Japan Trade Council, based on AISI statistics.

Sources: American Iron & Steel Institute, U.S. Bureau of the Census, and McLouth Steel Corp. market research.

TABLE 18.—JAPANESE KENNEDY ROUND CONCESSIONS ON IRON AND STEEL PRODUCTS

[In percent]

Brussels tariff nomenclature No.	Description	Ad valorem duties[1]	
		Present	After Kennedy round negotiations
7301	Pig iron, etc	10	5
73021	Ferrosilicon	10	5
73022	Ferromanganese	15	12
73023	Ferrochromium	10	10
73024	Ferronickel	15	12
73025	Other ferroalloys	10-15	5-7.5
7303	Iron and steel scrap	([2])	([2])
7304	Shot and grit, etc	10	5
7305	Powders, sponge iron, etc	10-12.5	5-6.25
73051	Same (less than 90 percent iron)	5	5
7306	Puddled bars, ingots, blocks, etc	12.5	6.25
7307	Semifinished iron and steel	12.5	6.25
7308	Coils for rerolling	15	7.5
7309	Universal plates	15	7.5
7310	Bars and rods	15	7.5
7311	Angles, shapes, and sections	15	7.5
7312	Hoop and strip	15	7.5
7313	Sheets and plates	15	7.5
7314	Iron or steel wire	15	7.5
73151 (1)	High-speed steels[3]	15-25	15-20
73151 (2)	Bi metal of 10 percent or more nickel	25	18
73151 (3)	Other alloy steels[4]	15	15-10
73152	High carbon steels	15	10
7316	Railroad construction materials	15	7.5
7317	Cast iron tubes and pipes	15	7.5
7318	Tubes and pipes	15	7.5
73181	Same (of alloy steel)	15	12
7319	Hydroelectric conduit	15	7.5
7320	Tube and pipe fittings	15-20	7.5-10
7321	Structures and parts	10-15	5-7.5
7322	Tanks, vats, etc	10-15	5-7.5
7323	Casks, drums, etc	15	7.5
7324	Compressed gas cylinders, etc	15	7.5
7325	Wire strand, cable, etc	15	7.5
7326	Barbed wire, fencing wire, etc	15	7.5
7327	Nets, netting, etc	15	7.5
7328	Expanded metal	15	7.5
7329	Chains and parts	15	7.5
7330	Anchors and grapnels	15	7.5
7331	Nails, stables, etc	15	7.5
7332	Bolts, nuts, rivets, etc	15	7.5
7333	Needles, etc	10	5
7334	Pins, hairpins, etc	10	5
7335	Springs, including spring leaves	15-30	7.5-15
7336	Stoves, etc	15	7.5
7337	Central heating boilers, heaters, etc	15	7.5
7338	Sanitary and domestic wares	15	7.5
7339	Steel wool, scouring pads, etc	20	10
7340	Other articles of iron or steel	15-20	7.5-10

[1] Based on c.i.f. (cost, insurance, freight) values ex Japan.
[2] Free.
[3] Subject to a tariff quota.
[4] Some alloys (tool steel, free-cutting steel, hollow drill steel) subject to quantitative import quotas.

Source: Japan Tariff Association.

TABLE 11.—UNITED STATES IMPORTS OF COTTON, MANMADE AND WOOL MANUFACTURES FROM JAPAN

[In thousands of equivalent square yards]

	January	February	March	April	May	June	January–June
Cotton:							
1966	26,636	39,104	44,761	44,675	34,750	30,782	220,717
1967	41,225	29,751	35,086	33,850	33,482	29,147	202,541
Percent change	+54.8	−23.9	−21.7	−24.2	−3.6	−5.3	−8.2
Manmades:							
1966	40,216	24,966	29,769	36,999	35,387	40,390	207,737
1967	35,402	27,447	34,302	28,484	30,354	31,988	187,977
Percent change	−12.0	+9.9	+15.2	−23.0	−14.3	−20.8	−9.5
Cotton plus Manmades:							
1966	66,852	64,070	74,530	81,674	70,156	71,172	428,454
1967	76,627	57,198	69,388	62,343	63,847	61,135	390,518
Percent change	+14.6	−10.7	−6.9	−23.7	−9.0	−14.1	−8.9
Wool:							
1966	4,796	4,495	5,915	6,055	5,321	3,793	30,375
1967	3,797	3,083	5,829	4,195	5,307	4,384	26,595
Percent change	−20.8	−31.4	−1.5	−30.7	−0.3	+15.6	−12.4
Grand total (cotton plus manmades plus wool):							
1966	71,648	68,565	80,445	87,729	75,477	74,965	458,829
1967	80,424	60,281	75,197	66,538	69,154	65,519	417,113
Percent change	+12.3	−12.1	−6.5	−24.2	−8.4	−12.6	−9.1

Source: Department of Commerce, TQ Series.

The CHAIRMAN. Mr. Stanley Diefenthal.

We are pleased to see you here today, Mr. Diefenthal. It has been my pleasure to know you for many years and the fine work you do, and take some pride in your performance and for services rendered to Louisiana.

STATEMENT OF STANLEY DIEFENTHAL, REPRESENTING THE SCRAP INDUSTRY TRADE POLICY COUNCIL

Mr. DIEFENTHAL. Thank you, Mr. Chairman, and gentlemen of the committee.

I greatly appreciate your staying here in view of the late hour to hear a few remarks that I will certainly make as short as possible within my limited time.

The CHAIRMAN. We will print your entire statement in the record, and you can summarize it.

Mr. DIEFENTHAL. Fine.

Under those conditions I think I would just like to summarize it.

I would like to summarize it by saying that I appear here for the Scrap Industry Trade Policy Council.

There has been quite a bit of talk here this afternoon about retaliation by foreign governments in the event import quotas were placed against them, and there have been several different answers.

I think I can say without hesitation that one item which would be immediately curtailed would be the steel scrap which is presently being purchased in large quantities by foreign steel mills, primarily in Japan.

The CHAIRMAN. You know that need not necessarily be so, Mr. Diefenthal. It is possible we might give you a few tickets for imports and let you go trade them with some of your Japanese friends on the basis that they could have some tickets or some additional ticket if they would buy some of your scrap. It might not be done that way, it might be worked another way.

Mr. DIEFENTHAL. Senator, I am highly in favor of tickets of any kind because, indeed, it always has an implication that you have a seat in the ball game.

As I say, without going through my entire statement which you gentlemen can certainly read better than I can, I would like to point out just one thing and then, perhaps, read the summary.

The ones thing which I would like to note was contained in the statement, the very excellent statement, from the American Iron & Steel Institute on page 5 wherein at the bottom they say that a first-class power with global responsibilities cannot afford to rely for any important part of its needs on overseas sources of steel a thousand miles away.

This statement is perfectly true beyond any question. And yet in the face of it, in the face of this statement by the representatives of our American steel producers, I would like to point out that in the 15 years between 1951 and 1966 the American steel industry has increased its importation of foreign iron ore from 10 million tons to 46 million tons, more than a fourfold increase.

The CHAIRMAN. Where is the most of that coming from?

Mr. DIEFENTHAL. Most of it I would think comes from Venezuela, some from Brazil, some from Africa.

The CHAIRMAN. What percentage from Canada and Labrador?

Mr. DIEFENTHAL. I am not familiar with the percentages, Senator. I do not have that information. I did not come here prepared to talk about iron ore, but simply this statement called it to my attention.

I would say that Canada and Labrador and Venezuela are the important sources.

In any event, as I say, summarizing, in conclusion, perhaps it might be interesting to take a quick statistical look at the steel industry which it is proposed to benefit by imposition of import quotas—it is an industry which closed the year 1966 with the highest production and highest price levels in its history—an industry which increased its production from 105 million tons in 1951 to 134 million tons in 1966—an industry which increased the composite price of its products from $94 per ton in 1951 to $168 per ton in 1966—an industry which has led the field in seeking for itself the benefits of cheap imported raw materials—an industry which has increased its imports of foreign iron ore from 10 million tons in 1951 to 46 million tons in 1966—an industry which decreased its consumption of domestic iron ore from 116 million tons in 1951 to 75 million tons in 1966—an industry which has decreased its consumption of purchased scrap from 38 million tons in 1951 to 36 million tons in 1966 notwithstanding the substantial expansion in its own productive capacity.

All in all it would seem that this is the picture of a very healthy industry which has not concerned itself too much with the welfare of its fellow-American raw material suppliers nor the welfare of those suppliers' workmen but which is very much concerned with its own welfare to the extent of asking Government assistance in imposing import quotas that would in part prevent others from taking advantage of the cheap raw steel in the same way that it itself is anxious to take advantage of cheap raw materials—import quotas that would serve to increase its production by an admitted maximum of less than 3 percent and in actuality by perhaps less than 1 percent and even

this only at the expense of other domestic industries—import quotas that would probably be the immediate forerunners of price increases at the expense of the American public.

In conclusion, I sincerely hope that the gentlemen of this honorable committee will give these remarks a measure of consideration before arriving at a final decision and that they will determine that the benefits, if any, to be gained by the imposition of import quotas on steel products are far outweighed by the disadvantages of these quotas to a majority of the people concerned.

(The prepared statement of Mr. Diefenthal follows:)

My name is Stanley Diefenthal and I am appearing here today as spokesman for the Scrap Industry Trade Policy Council, and as President of Southern Scrap Material Co., Ltd. The Scrap Industry Trade Policy Council represent those firms in the United States who export iron and steel scrap plus some 300 iron and steel scrap processors who have lost much of their domestic markets for scrap and rely on exports to continue in business. Southern Scrap Material Co., Ltd. is a private corporation engaged for 67 years in the business of buying, processing and selling iron and steel scrap and presently employing some 400 people.

For the benefit of those members of this Committee not familiar with the steel scrap industry I will touch briefly upon its functions and present status. Like most other scrap processors our company was originally formed for the purpose of supplying a very important raw material to domestic steel mills which formerly used some 40% of purchased steel scrap per ton of ingot produced. For various reasons steel scrap is the only major steelmaking raw material that has not become captive to the mills notwithstanding many efforts to make it so. During the past 15 years, due to changing technology initiated by the mills in a desire to free themselves of dependence on steel scrap, the domestic demand for our product has declined until usage is now about 25% purchased scrap per ingot ton, with this requirement being filled by a dwindling number of suppliers located geographically close to the domestic mills.

It is unfortunate that domestic steel mills have not seen fit to nurture and promote the welfare of an industry which served them so well in the past, however on the contrary it is a fact that they have gone far afield to find new sources of iron ore and have spent billions on research and equipment in an effort to find methods of economically using more virgin metal as a substitute for steel scrap, one result of which has been severe damage to our domestic scrap industry. An interesting observation in this respect is that, contrary to almost every other product of American industry, a ton of the standard grade of steel scrap which had an average (composite) value of $48.14 in 1951, had an average (composite) value of only $30.66 in 1966, a decrease of some 30%. It is of course unnecessary to remark on the increased operating costs during that period except to say that it is only by the exercise of maximum ingenuity that scrap processors have continued to exist. It would seem that in these inflated times a product priced at 70% of its 1951 value would be a bargain but on the contrary there is presently an increasing surplus of steel scrap in the United States and price as well as consumption continues to decline.

For the reasons cited above, coastal processors of scrap and others distantly located from steel mills have come to reply increasingly upon the exportation of their product in order to maintain their existence.

While neither the control of scrap sales nor the problems of scrap producers are matters presently being considered by this honorable Committee, there is indeed another matter before it which has disastrous implications for our industry. I refer to the proposal to establish quotas for the import of iron and steel products and the reciprocal effect these would have on the export demand for steel scrap.

At this time and for the past five years foreign steel mills have been almost the sole outlet for steel scrap produced in the coastal areas of the United States and pervasively, export sales from coastal areas have served as a crutch for the entire industry by removing a part of the surplus has been building up with decreased domestic consumption. Obviously if foreign steel producers are faced with the necessity of curtailing their production because of American import quotas, the first item on which they will economize will be the steel scrap they

are purchasing from America and coupled with the other problem besetting our industry the loss of any substantial part of our foreign market for steel scrap will surely call down the final curtain on many long-established companies even now struggling for survival.

I realize fully that import restrictions on foreign steel products have been a fond dream of domestic producers for many years and that powerful forces have worked long and diligently to bring them about. The reasons of course are obvious since almost without exception the most important limiting factor in prices and profits of domestic steel producers has been the competition afforded by imported steel. Since there is no doubt that this Committee is not concerned primarily with the welfare of any private corporation, either steel producer or scrap producer, but must be primarily concerned with what is best for the welfare of the country as a whole perhaps we should depart from generalities and examine from various viewpoints the probable net results of the enactment of quotas as presently proposed and which statistics indicate would reduce current imports by some 3 million tons per year.

1. *From the viewpoint of domestic steel producers* a reduction of 3 million tons of imported steel products would ostensibly mean that they could manufacture and sell in this country an equivalent quantity in excess of their present production, however we must remember that American mills are still exporting products themselves and it requires no great foresight to realize that foreign producers hampered by American quotas would take prompt defensive measures in the form of reduced prices to those customers still importing steel from the United States. This would surely result in the loss of a major share of the American mills remaining export market which is presently on the order of 2.3 million tons so that the net gain or production by domestic producers would be substantially less than the apparent 3 million tons and probably more on the order of one million or 1.5 million tons.

2. *From the viewpoint of balance of payments* the proposed reduction of 3 million tons of imported steel products would save us perhaps 300 million dollars in foreign exchange however the loss of our market for 5 million tons of exported steel scrap, with a value of 250 million dollars, would reduce this saving considerably while the further loss of perhaps a million tons of our present export sales of steel products would more than offset the remainder. Almost certainly the overall effect on our balance of payments would be a negative one.

3. *From the viewpoint of damage to our domestic scrap industry* there is no doubt that the curtailment of foreign steel production resulting from import quotas will have the direct effect of forcing a number of steel scrap producers, especially those in coastal areas, to terminate or severely reduce their operations. While this in itself may not be a national calamity it must be remembered that the scrap industry has an inherently high ratio of employment cost to dollar volume and the reduction of operations will mean loss of employment to a presently indeterminate number of people, perhaps on the order of 10,000 workers.

4. *From the viewpoint of the American steel worker* it is claimed that the production of an additional 3 million tons of domestic steel to supplant 3 million tons of imported steel would result in more jobs at American mills.

This claim has doubtful authenticity since reference to employment costs of major domestic producers clearly shows that employment in the steel industry, contrary to that in the scrap industry, is not sensitive to small increases or decreases in production under the present system and in many cases of actual record, employment rates of specific American producers actually *declined* from one year to another even though production was greater and at other times *increased* from one year to another even though production was less. Furthermore, as mentioned above, a decrease of 3 million tons of imported steel does not at all mean that our domestic mills will benefit by an identical increase in production since the net increase after loss of exports will probably be more on the order of one million to 1.5 million tons which would have little effect on employment. Even more important is the fact that any small employment gain in the steel industry would be more than offset by the employment loss in the scrap industry plus a loss of employment in other industries ancillary to the scrap industry of which there are many.

5. *From the viewpoint of national security* supporters of import quotas have claimed that the small increase in domestic production would promote a greater preparedness on the part of the industry in the event of a national emergency however the scrap industry is also called upon to serve in times of national crisis and its ability to do so has already been severely eroded during the past decade.

It might be well to recall to the gentlemen of this Committee the great emphasis that was placed on the supply of available scrap during our past conflicts and the fact that through the almost superhuman efforts on an industry which had not yet been emasculated, not one single domestic steel producer ever lost a days production due to lack of steel scrap. On the other side of the coin our domestic steel mills during recent years have exhibited an almost wanton neglect of national security by their increased dependence on sources of foreign iron ore, the loss of which would throw the industry into absolute chaos and force them to turn to a scrap industry which they have consistently and systematically relegated to a position of minor importance.

6. *From the viewpoint of benefit to the American consumer* it is obvious that the greatest deterrent to unreasonable price increases by the domestic steel industry is the competition afforded by foreign steel products. With the advent of import quotas there can be little doubt that the prices of domestic steel products in coastal areas, and probably nationally as well, would soon be increased, this further inflating the economy to the detriment of the American consumer.

7. *From the viewpoint of the American public* the imposition of import quotas and the subsequent curtailment of activity by scrap collectors and processors will cause the solid wastes of our urban and industrial centers to accumulate in proportions now undreamed of and the ingenuity and resources of local governments will be taxed beyond belief to find a satisfactory means of disposal. Under present conditions where 5 million tons of steel scrap are exported each year, the waste of many of our largest cities including Boston, New York, Philadelphia, Los Angeles and San Francisco has been siphoned off into useful channels. Many of you gentlemen are quite familiar with a matter already considered by the Congress and consisting of the fact that disposal of worn-out automobiles has become a major problem throughout the country. As a matter of fact one of the important aims of the Highway Beautification Act was to find a method or methods for ridding our cities and highways of the eye-sore caused by the abandonment of old cars whose removal cost was greater than their value. A substantial number of scrap processors throughout the United States are cooperating closely with local authorities, on some occasions volunteering their services as a civic duty without consideration of profit, and in other cases expending huge sums of money on the order of a half million to as much as three million dollars for single installations of special equipment in an attempt to convert old automobiles into a profitable product for export to foreign steel mills. I can assure you that the difficulties already confronting us in this respect will be minor in comparison with those we will have to face if the export of steel scrap is discontinued or curtailed to any extent and this will surely come about if import quotas on steel products are eventually enacted by the Congress.

In conclusion perhaps it might be interesting to take a quick statistical look at the steel industry which it is proposed to benefit by imposition of import quotas—it is an industry which closed the year 1966 with the highest production and highest price levels in its history—an industry which increased its production from 105 million tons in 1951 to 134 million tons in 1966—an industry which increased the composite price of its products from $94.00 per ton in 1951 to $166.00 per ton in 1966—an industry which has led the field in seeking for itself the benefits of cheap imported raw materials—an industry which has increased its imports of foreign iron ore from 10 million tons in 1951 to 46 million tons in 1966—an industry which decreased its consumption of domestic iron ore from 116 million tons in 1951 to 75 million tons in 1966—an industry which has decreased its consumption of purchased scrap from 38 million tons in 1951 to 36 million tons in 1966 notwithstanding the substantial expansion in its own productive capacity. All in all it would seem that this is the picture of a very healthy industry which has not concerned itself too much with the welfare of its fellow-American raw material suppliers nor the welfare of those suppliers' workmen but which is very much concerned with its own welfare to the extent of asking Government assistance in imposing import quotas that would in part prevent others from taking advantage of cheap raw steel in the same way that it itself is anxious to take advantage of cheap raw materials—import quotas that would serve to increase its production by an admitted maximum of less than 3% and in actuality by perhaps less than 1% and even this only at the expense of other domestic industries—import quotas that would probably be the immediate forerunners of price increases at the expense of the American public.

I sincerely hope that the gentlemen of this honorable Committee will give these remarks a measure of consideration before arriving at a final decision and

that they will determine that the benefits, if any, to be gained by the imposition of import quotas on steel products are far outweighed by the disadvantages of these quotas to a majority of the people concerned.

The CHAIRMAN. Thank you very much.

Mr. DIEFENTHAL. Thank you, Senator. I greatly appreciate this.

The CHAIRMAN. As far as I am concerned, we certainly will keep in mind the interests of the scrap industry and producers, and we will consider these matters.

Mr. DIEFENTHAL. Thank you again for the opportunity to appear.

(Following are communications received by the committee expressing an interest in the preceding subject:)

STATEMENT OF HON. JOHN A. BLATNIK, A U.S. REPRESENTATIVE FROM THE STATE OF MINNESOTA

Mr. Chairman, I am most grateful to you and the members of this distinguished committee for allowing me the opportunity to come here today and express my views on importation of iron ore.

The economic backbone of my congressional district in Northeastern Minnesota is and has always been iron ore mining. Nearly every aspect of economic life hinges on the health of the iron ore industry. So it is not unusual for us to view increases in imports of foreign ore with some concern.

Iron ore imports have increased from 23.5 million tons in 1955 to 47.2 million tons in 1966. Percentage-wise, foreign ores jumped to 38% of total United States iron ore consumption last year, whereas 12 years ago they claimed 20% of the market.

Similarly, the *value* of the foreign ore imports has almost quadrupled in that same period, going from $177,457,000 to $462,354,000 last year. Over the same period of time, the value of iron ore shipped from Minnesota mines has increased only slightly, going from $461,904,000 to $499,388,000 last year.

It is obvious to observers of the iron ore industry what has happened here. Through two world wars and the Korean conflict, Minnesota iron mines, especially the Mesabi Iron Range, has consistently supplied over 60%, and in some years as much as 75%, of the major iron ore demands. Such a gigantic ore production activity has, quite understandably, been a heavy drain on this irreplacable natural resource, and the depletion of our vast reservoir of high grade direct shipping ores opened a heretofore untapped market for iron ore from abroad. As a result, Northeastern Minnesota has suffered a severe economic depression since the late 1950's, becoming one of the nation's distressed areas.

The main hope for the economic future of our area was long ago recognized to be in encouraging the development of the taconite industry. Very briefly, Mr. Chairman, taconite is an almost worthless rock having an average of 23% iron which, through a complicated and extremely costly process, can be "manufactured" into a high grade pellet bearing 63% to 65% iron.

All that was needed to get the industry going was a constructive program of tax incentives and a break-through in the technology. The basic technological discoveries came in the late 1930's. Soon thereafter, in the early forties, as a young State Senator, I was proud to sponsor legislation giving the taconite industry equitable tax treatment which was followed a decade and a half later by the construction of two plants now totaling $600 million in value and employing some 6,000 men.

The voters of the State of Minnesota, in a 1964 state-wide referendum, approved an amendment incorporating that 1940 taconite tax law into the State Constitution for a period of 25 years, with the understanding that the mining companies would soon thereafter commence construction of major taconite facilities. The companies did keep faith with the electorate and by the end of 1964 new plant construction and expansion of existing facilities approached the half-billion dollar level, putting the Mesabi Range on the threshold of the brightest future this area has ever known. Yet, in the previous decade, Minnesota's natural ore mining jobs went into a slump as our iron mining communities had no other major industries to fall back on for help until taconite could come into its own.

To help relieve the distressful unemployment picture, some $46 million in federal funds have been poured into Northeastern Minnesota during the past six years under various federal aid programs which it has been my privilege to sponsor in order to create new jobs and new industries. The overall picture is

greatly improved and consistently, month by month, is getting better, though much economic development work remains to be done.

It is right now, however, at this critical juncture, just when our taconite plants are in the start-up phase, that we need help to let them get a foothold and to see the rest of our economy through this transition period by giving our men in the direct shipping ore mines relief from increased foreign competition, at least until we can get on our feet.

Mr. Chairman, I strongly urge the members of this committee to act favorably on an iron ore quota provision that will give Northeastern Minnesota the help it needs at this critical period.

Thank you.

(The following telegram was submitted by Hon. Spessard L. Holland, a U.S. Senator from the State of Florida:)

FORT LAUDERDALE, FLA.

Senator SPESSARD HOLLAND,
Washington, D.C.:

The Senate Finance Committee is presently conducting hearings concerning proposed legislation to impose quotas on steel imports. Our company, operating out of Port Everglades, strongly opposes such proposed legislation since the same will create unemployment among firms using imported products as well as companies engaged in export activities. A multimillion-dollar port facility and the employment and business activity it produces will be substantially impaired. All accomplishments of the Kennedy Round will be effectively emasculated. Please convey our views to the Senate Finance Committee and have the telegram inserted in the current quota hearings.

PORT EVERGLADES STEEL CORP.,
ALLEN GORDON, *President.*

STORA KOPPARBERG CORP.,
New York, N.Y.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
Washington, D.C.

DEAR MR. VAIL: In connection with the proposed import quotas on steel and other products, I have written to Senators Javits and Kennedy, and enclose copies of my letter.

I would appreciate it if you would consider them my formal statement of opposition to the proposed import quotas.

Sincerely,

T. OLOF DORMBJO, *Vice President.*

U.S. SENATE,
Washington, D.C.

DEAR SENATOR: My reason for writing to you is to express my concern over the several bills now being introduced in the Senate for the purpose of placing quotas on a variety of imported products. The successful completion of the Kennedy Round negotiations gave the free world the promise of expanding trade and increased prosperity. The threat of import quotas in the United States at this particular time thus comes as a most disappointing surprise, particularly as the United States trade surplus this year has been increasing and, according to a recent report by the Commerce Department, now is at an annual rate which is $1 billion higher than last year.

Representing a Swedish steel firm, I am naturally concerned about the effects such quotas would have on trade between the United States and Sweden. Last year, the United States' exports to Sweden were $135 million more than the imports from Sweden to this country. International trade certainly is a two-way street, and if other countries are not permitted to pay for their purchases in the United States by selling those products for which they have developed special talents, the results will be a general stagnation of our foreign trade. Imposition of import quotas would be particularly repugnant, as they would put foreign suppliers in a straight jacket, hampering the development of world trade, and be quite contrary to the intentions of the Kennedy Round agreements.

It seems strange that the professed champions of free enterprise should have to hide behind quota barriers. At this time of large government expenditures

and increasing prices in the United States, the domestic steel industry, in my opinion, is doing the country a disservice by trying to restrict imports, which certainly have helped to stabilize prices.

From talks with many European businessmen, I am aware of the widespread criticism of present United States foreign policies. If the proposed new import quotas should become law, I am certain this would further disappoint and confuse our friends in foreign countries and seriously undermine the United States position as leader of the free world.

I respectfully ask you to oppose the levying of import quotas on steel or other products.

Sincerely,

T. OLOF DORMAJO, *Vice President.*

DAVIS WIRE CORP.,
Los Angeles, Calif.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Please refer to steel import quota bill until the Senate Finance Committee has made public their study on the steel import situation and the industry has had a chance to study this report and make comments. We feel no action should be taken in Congress. We are a domestic manufacturer of steel wire and wire products and depend on hot-rolled wire rods for our raw material. In order for us to be competitive with large domestic mills who produce their own steel and compete with us, we must purchase our raw material in a free world market. We are, therefore, opposed to any steel import quotas on wire rods.

JAMES I. WALKER.

DAVIS WIRE CORP.,
Lake Oswego, Oreg.

Hon. WAYNE MORSE,
Senate Office Bldg.,
Washington, D.C.:

Please refer to steel import quota bill until Senate Finance Committee has made public their study on steel import situation and the industry has had a chance to study this report and make comments. We feel no action should be taken in Congress.

We are a domestic manufacturer of steel wire and wire products and depend on hot-rolled wire rods for our raw material.

In order for us to be competitive with large domestic steel mills who produce their own steel and compete with us, we must purchase our raw materials in a free world market. We are, therefore, opposed to any steel import quotas on wire rods. If quotas are allowed on wire rods in this country, every U.S. manufacturer of wire and wire products (who do not produce their own steel) would be at the mercy of the large, integrated steel mills.

O. C. REZAK.

PACIFIC STEEL WAREHOUSE CO.,
Portland, Oreg.

Hon. WAYNE MORSE,
Senate Office Bldg.,
Washington, D.C.:

Our company is strongly opposed to any legislation intended to establish quotas on steel imports. We and our customers rely on import steel for our continued business existence, any curtailment of which will result in distress and unemployment to concerns using import material as well as loss to export business dependent upon two-way trade. Enactment of proposed legislation would negate Kennedy round and seriously embarrass U.S. position of international leadership. Please inform Senate Finance Committee of our views on this matter. Request this telegram be included in current hearing. Thank you for your assistance.

KALMON GREENE.

RONALD HERMAN STEEL CO., INC.,
Abington, Pa.

Hon. HUGH D. SCOTT,
U.S. Senator, Washington, D.C.

DEAR SENATOR SCOTT: We are merely writing this letter as a follow-up to our telegram to you of this date, which reads as follows:

"DEAR SENATOR SCOTT: We strongly oppose pending legislation to place quotas on imported steel. Quotas will create unemployment in our firm, and the results will be catastrophic. This action will destroy accomplishments of Kennedy Round, and will cause the United States embarrassment, as well as lose its present leadership in the Western World. We urge you to pass on our opinions to the Senate Finance Committee. Please have telegram inserted in current Hearings. We are small steel company, completely dependent upon free flow of reasonably priced imported steel as raw material. We, as well as thousands of other small companies, will be crushed if quotas are allowed."

We sincerely thank you for your kind cooperation.

Respectfully yours,

RONALD S. HERMAN, *President.*

ATLANTIC STEEL CO.,
Everett, Mass.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

DEAR SIR: This company wants to go on record as being opposed to pending legislature to impose "Quotas" on steel imports.

We have been supplying our customers with "Import Steel" for the past twenty years, and we feel that we have been helping them to be more competitive with the manufacturers closer to the American Mills, because of the differential in *Freight* rates.

Should "Quotas" be imposed, I believe it would cause an employment problem in this area.

Further, I believe this country's commitments to GATT is contrary to this pending legislature. It would jeopardize our image as a world leader.

Will you please convey our thoughts on this matter to the Senate Finance Committee.

Respectfully,

HENRY ROBERTS.

(The following telegram was received by Senator Jackson and Senator Magnuson:)

Wish to inform you our company strongly opposes pending legislation which intended establish quotas on steel imports. We and our customers rely on uninterrupted supply import steel for our continued business existence, any curtailment of which will result in distress and unemployment to concerns using import material as well as loss to export businesses dependent upon two-way trade. Enactment of proposed legislation would negate Kennedy round and seriously embarrass U.S. position of international leadership. Please inform Senate Finance Committee of our views on this matter. Request this telegram be included in current hearings. Thanks for your assistance.

TRICON INC.,
H. W. DEWEY,
President.

NATIONAL WIRE PRODUCTS CORP.,
Baltimore, Md.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C. 217

We are strongly opposed to any quotas that may be put on imported steel. We are a domestic manufacturing firm with operating plants in four States that depend upon a free supply of imported wire rods. Any hinderance to this flow of raw material would make us vulnerable to big steel and the dual-distribution

problem. It is our understanding that a special study of the steel import situation has been prepared but not released. We feel that no action should be taken on steel import quotas until everyone in the industry has had a chance to read and comment on that report.

GERARD A. SELING.

STATEMENT OF THE FINE & SPECIALTY WIRE MANUFACTURER'S ASSOCIATION, PRESENTED BY J. A. MOOLE, CHAIRMAN, FOREIGN TRADE COMMITTEE, VICE PRESIDENT, NATIONAL-STANDARD CO.

This statement is presented on behalf of the domestic producers of fine and specialty carbon steel wire through their trade association, the Fine and Specialty Wire Manufacturers' Association. This association is composed of 18 member companies who account for more than 75% of the fine and specialty wire produced in the United States. Manufacturing facilities of the member companies are located in 16 states from coast to coast.

Legislation to set up procedures for the establishment of import quotas on steel products, including those manufactured by our membership, has been proposed to both houses of Congress. These bills have been developed and sponsored by the American Iron and Steel Institute and by the very nature of their scope must cover the great number of steel products listed in the Tariff Schedules of the United States (TSUS). Our association is in whole-hearted agreement with the intent of this legislation and wishes to record with your Committee our support for that section dealing with steel wire. We also wish to call to your attention the special problems of our industry with regard to the wire import situation. We intend to urge that the quotas established for the wire products which our members produce should be established on the basis of dollar value rather than on a tonnage basis.

Fine and specialty wire is one of the highest labor content forms of basic steel. Statistics show that 12 man-hours are required to produce one ton of average finished rolled steel products. In contrast, a survey by our Association disclosed an average of 35 man-hours required to produce a wide range of fine and specialty wires. Some very special items such as a .006" diameter wire used in helicopter tie-bars (holding the rotor blades to the drive shaft) require more than 150 man-hours per ton. The labor which produces these wires must be very highly skilled.

Thus, the very nature of our product with its high content makes it a very attractive target for those nations seeking more dollar trade with the U.S. With wages in these countries running from ⅓ to ¼ of those we pay our workers, fine and specialty wire is extremely vulnerable to imported wire. Production costs in the lower wage paying countries cannot help but be much less than ours because of the high man-hour requirement. Technological advantages, which we once enjoyed, have largely disappeared as technical assistance agreements have dispersed modern machinery and techniques throughout the world. Consequently, fine and specialty wire imports have grown at a very rapid pace and many times sell delivered to our customers at prices well below the cost of production in the United States.

Statistics are not available to show this rapid growth of imported fine wire alone, but reports covering all steel wire show that in 1966 imports were 750% higher than those in 1956. Certainly, it is true that the domestic market has grown during this period, however, not nearly as fast as imported wire. Our best estimates are that in the last 10 years, the share of the U.S. market served by our members has decreased by 13%. During the first half of 1967 imported steel wire has shown an even more rapid rate of growth, jumping 2.2% to 18.2% of the domestic markets or nearly double the average of steel products as a whole.

Fine and specialty wire is not only an item of major significance in world trade, but it is exceedingly important in it's uses. Hardly an hour of the day can pass without a hidden piece of our product influencing your lives. The spring that returns a door knob to position uses wire produced by our members. Your wife's bobby pins are made from specialty wire. You sleep on mattresses made from spring wire produced by our members. Your automobiles use hundreds of springs made from our wire, and the tires you ride on are held securely on the rims by tire bead wire we produce. Our fighting men in Viet Nam are dependent on the spring wire in their automatic rifles; on telephone wire for communications; on the control wires with which the pilot guides his jet aircraft. Obviously, I could go on and on but you can see that fine and specialty wire is an everday thing, but not as readily apparent as many others.

Products which serve such an important part of our domestic and military lives must be adequately produced in America by properly trained American labor. Already we have seen a number of wire mills closed down and nearly everyone of our member companies has found it necessary to discontinue the manufacture of certain products because they could no longer compete in the American market place with foreign produced wire. Quotas on the amount of wire which can be imported would greatly strengthen this relatively small, but vital segment of American industry. We heartily subscribe to this principle.

However, if these quotas are established solely on the basis of the tonnage of wire imported during a previous period, the fine and specialty wire manufacturers will be hurt even more by imports. The past history of foreign trade shows conclusively (refer to Trade Relations Council studies) that the highly labor intensive industries are most sensitive to increased imports. If quotas are, therefore, established on the basis of dollar value for these items, proper protection to a vital American industry will be established. If, however, tonnage is the criterion used, this important segment of our industrial empire will be hit even harder by imports since the trend will be toward the higher dollar value per ton items.

Our Association respectfully requests that the following TSUS items have quotas established on a dollar basis rather than tonnage, using the same base years of 1964–1966 as proposed by the American Iron and Steel Institute:

609.20	609.27	609.36	609.45
609.21	609.30	609.37	609.70
609.22	609.31	609.40	609.72
609.25	609.32	609.41	609.75
609.26	609.35	609.43	609.76

We thank you for this opportunity to present our very sincere views on this important matter.

UNITED STATES-JAPAN TRADE COUNCIL.

Hon. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The United States-Japan Trade Council, with a present membership of about 700 firms, has the purpose of fostering a healthy and friendly trade relationship between the United States and Japan.

During recent years Japan has been the best and fastest growing overseas customer for American export products. American farmers alone are expected this year to export over $1 billion worth of feedgrains, soybeans, wheat cotton, rice, livestock products, tobacco and other agricultural products to Japanese consumers, all for cash.

On the other hand, Japan has provided an increasing quantity of industrial products and consumer goods to the United States market. Dollars earned by such exports are inevitably returned here for the purchase of needed American commodities—this is the very nature of trade.

We have been watching with great concern the steady introduction of proposed legislation in the United States Congress to limit the nation's import trade, all contrary to the letter and spirit of the Kennedy Round and, in our view, detrimental to the national interest. Many of these bills, especially those relating to textiles, would strike heavily at the Japanese trade. Now a bill is being promoted to cut back and strictly limit imports of steel mill products, one of Japan's largest dollar-earners in this country.

We respectfully urge you not to commit yourself to sponsorship of the steel quota bill, at least until all the facts are in. A large Congressional sponsorship of this trade-inhibiting proposal would seriously damage the image of the United States abroad and could jeopardize the nation's prosperous export trade.

We intend in due course to provide you with a more detailed factual exposition of the reasons for opposing the proposed "Iron and Steel Orderly Trade Act of 1967."

Sincerely yours,

NELSON A. STITT, *Director.*

STATEMENT SUBMITTED FOR THE JAPAN IRON AND STEEL EXPORTERS ASSOCIATION, JAPAN GALVANIZED SHEET EXPORTERS ASSOCIATION, JAPAN WIRE PRODUCTS EXPORTERS ASSOCIATION, AND THE JAPAN STAINLESS STEEL EXPORTERS ASSOCIATION

STITT, HEMMENDINGER AND DANIELS, ATTORNEYS,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter, for inclusion in the record of the Senate Finance Committee's investigation of various import quota bills, is submitted on behalf of the *Japan Iron and Steel Exporters Association*, the *Japan Galvanized Sheet Exporters Association*, the *Japan Wire Products Exporters Association*, and the *Japan Stainless Steel Exporters Association*. These associations represent virtually all of the steel makers and traders engaged in the exportation of carbon, alloy and stainless steel mill products from Japan. Since these are foreign associations, copies of this letter have been filed with the Department of Justice, pursuant to the Foreign Agents Registration Act, as amended.

S. 2537, a bill to establish quotas on steel import, S. 1446, a bill relating to orderly marketing, and S. 2476, a bill amending Title III of the Trade Expansion Act of 1962, are now pending before this Committee. Our clients are greatly concerned over these bills and the threat which they present, especially to trade between Japan and the United States. In view of the position of Japanese steel in the United States market for imported steel, their views on proposed quotas would appear to be of interest to the members of this Committee.

The Japanese steel industry is firmly opposed to the imposition of steel quotas, whether on a unilateral, bilateral, or multilateral basis. It deplores current agitation for quota legislation, and has been surprised by the readiness with which responsible and important industries are prepared to discard the positive achievements of the Kennedy Round of tariff negotiations, recently concluded in Geneva. It should be recalled that at those negotiations, which the United States fully and actively supported, the government of Japan agreed to a reduction of 50 percent in Japanese steel tariffs, thereby lowering them to an average of 7.5 percent.

The Japanese steel industry consists of independent companies engaged in free private enterprise. Contrary to imputations that have been made, they are by no means instrumentalities of the government of Japan, nor are they passive recipients of special, undefined benefits from the Japanese government. As an industry, its members have endorsed the progressive liberalization of investment in Japan and imports by Japan. The carbon steel sector—by far the largest sector in the Japanese iron and steel industry—is already absolutely free of restraints on foreign investment and imports.

This Committee has often heard that trade is a two-way street. It is hoped that repetition of this statement has not dulled its meaning or its implication. Japan is the second largest foreign purchaser of United States exports. It is not surprising that it should also be the second largest supplier of imports to United States markets. The Japanese steel industry believes that international trade in specific commodities, such as steel, must be seen in the larger context of international investment and trade in all commodities, and that at this point in time, the mutual advantages which steel trade creates for those participating in is cannot be seriously doubted.

The essential point of the Kennedy Round was the reciprocal reduction of trade barriers. This philosophy has served the world well over the past several decades. World trade has grown, and so have the economies of those countries committed to the elimination of trade barriers, ultimately to the benefit of all the citizens of these countries. The occasional disappointments inevitably experienced in the conduct of business cannot refute or obscure this fact. The Japanese steel industry hopes that it will continue to have the opportunity to do business with its customers in the United States on a business-like basis, without artificial, governmentally-imposed restraints. This does not mean that the Japanese steel industry is under the delusion that all growth in this or any other market has been earmarked for it. That is absurd. It does mean that no single industry can isolate itself from the business of competition without mortgaging its future to governmental control and direction; and this the Japanese steel industry will not willingly do.

Yours very truly,

JOHN A. KENNEDY, Jr.

STATEMENT OF HUGO NEU, PRESIDENT, HUGO NEU CORP.

My name is Hugo Neu and I am in opposition to the bill which would authorize import quotas on steel products.

I am president of the Hugo Neu Corp., which is owned by myself and my family. The main activity of our company and its subsidiaries is the export of steel scrap, international trade in scrap and ore, and the shipping of ore. The company has existed for 20 years and I have been in the same line of business for 47 years. A substantial part of our business is exporting to Japan. We are not in the business of importing steel or steel products. We have been trading with Japan since 1948 and I am fully acquainted with the steel mills of Japan and their business.

My opposition to the bill is twofold: (a) it will not achieve its ultimate objective insofar as the production of domestic steel mills is concerned; (b) it will have a disastrous effect on the export of steel scrap and iron ore to Japan.

Other witnesses more qualified than I, have, I believe, demonstrated that the imposition of quotas on steel imports, by tending to raise the price of domestic steel, would cause to be diverted the present demand for finished steel to aluminum and other substitute products, and would have no permanent effect on the level of domestic steel production. I shall devote my testimony to the disastrous effect such quotas would have upon American exports. As the committee must be aware, one of the crucial problems facing our economy is to find a profitable way of consuming discarded automobiles, refrigerators, washing machines, and other light iron machinery. My company is interested in and has participated in the development of a process known as "Prolerizing." The process involves the shredding of entire automobiles and other light iron machinery into small pieces, cleaning the iron and recovering nonferrous metals, all without creating any smoke or dust otherwise polluting the atmosphere.

Three Prolerizing plants in which my company is interested are now operating in Southern California, Massachusetts, and New Jersey, and others are planned for Northern California and elsewhere.

Through the operation of these plants, annually hundreds of thousands of abandoned automobiles, refrigerators, and washing machines and similar equipment which would clutter the countryside have been converted into saleable scrap.

However, the nature of steel production in the U.S. is such that there is no domestic market for such scrap and practically our entire production is exported to Japan. This coming year we expect production to be in the neighborhood of 600,000 tons.

Also, our company is interested in the export to Japanese steel mills of a new proposed pellet production in Arizona of 5,000,000 tons annually. This "pellet production" is a proposal for converting otherwise unvaluable iron ore into a form valuable to the production of steel. The proposed production will be in the hands of others, and our company hopes for the establishment of this production in 1969. If successful, we believe it will be a great help to mining in Arizona as well as a valuable addition to the nation's export trade.

The loss of these Japanese markets would, of course, be a serious blow to my company, but that would be "merely a drop in the bucket" compared to the loss that would be experienced by American export trade in general, which would normally expect an average normal export of scrap running to about six million tons.

In order to understand the impact of the proposed quotas upon the American export trade and scrap industry, one must grasp the basic economy underlying the Japanese steel industry. Japan has been fortunate to have people of great foresight as the heads of its steel industry. They have recognized that the expansion of the steel industry, which has carried with it the expansion of the Japanese industry in general, depends on the development of imports as well as exports. The Japanese steel industry has, therefore, tremendously benefited the economy of Japan's major partners including the U.S. As I have indicated, the American scrap industry is heavily dependent upon its exports to Japan. However, if steel quotas are imposed by this country, the Japanese steel mills will be forced to curtail their production of steel, and therefore, cut down their purchases of scrap and other raw materials from the U.S. Indeed, in anticipation of the enactment of the proposed bill, the Japanese steel industry has already initiated cutbacks in its scrap purchases from the U.S. with the result that scrap prices have already been depressed.

It follows that the imposition of import quotas on steel by forcing the Japanese to stop buying scrap in the U.S. would bring the entire American machinery of collecting and exporting scrap to a standstill—particularly in the coastal regions, where the scrap iron business is wholly dependent on exports to Japan.

Many millions of American jobs would thus be jeopardized. I would remind the committee that the export scrap industry has been flourishing in this country since 1953, when the Congress wisely refused to be swayed by pressure from the U.S. steel mills who then clamored for continuation of a virtual ban of export of steel scrap. By opening the doors to the export of steel scrap, Congress then cleared the way for the development and maintenance of a sound and profitable domestic scrap business. Through these exports to Japan, our domestic scrap business has aided both our economy and the development of a healthy Japanese economy, which in turn has been a valuable partner of American industry. The imposition of quotas pursuant to the bill now under consideration, would threaten the American scrap industry with ruin and would undercut the basically sound trade relations that now exist between this country and Japan.

For these reasons, I strongly oppose the imposition of steel import quotas.

Thank you.

STATEMENT OF THE BRITISH WIDEFLANGE, INC., SUBMITTED BY W. DAWSON CARTER, PRESIDENT

Mr. Chairman and members of the committee, on behalf of British Wideflange, Inc., I am pleased to have the opportunity to submit this brief statement for consideration in connection with your study of proposals to impose quotas on specified commodities. The particular commodity group to which this statement is directed is steel and steel products.

British Wideflange, Inc. is a Texas corporation, organized in 1959, for the purpose of importing heavy structural steel shapes from the United Kingdom for sale to steel fabricators in the United States. At the time the Company was formed, there were, basically, only two domestic sources of supply, both of which were in the fabricating and the raw steel business. The independent fabricators welcomed British Wideflange for competitive reasons as well as for partial insurance against supply shortages.

British Wideflange competes effectively and fairly with domestic steel producers. The steel which the Company imports from the United Kingdom is of high quality, and we offer service at least equal to the American mills. In addition, the Company publishes prices which are made available to its customers enabling them to bid on upcoming jobs with reasonable assurance that the prices will hold. However, I wish to stress at this point that the prime reason for the Company's success has been the service and dependability offered to the independent fabricators, not price.

British Wideflange, Inc is a *bona fide* domestic business employing American citizens. The Company and its employees fear the disastrous consequences which might flow from the imposition of import quotas on the steel products we import. In this regard, we are aware of the S.2537 introduced by the Honorable Senator Hartke and co-sponsored by others. We believe that one of the unfair aspects of the bill is that it would establish quotas on the basis of percentage share by country of origin for preceding years. In effect, this would amount to "grandfathering in" those very foreign sources of supply who are cited as prompting the introduction of the legislation in the first place.

Perhaps it will, at some point, prove necessary for legislative action to be taken on steel imports. However, a basic departure from our present policy of free trade, such as by the imposition of quotas on steel, should be viewed in its fullest perspective, taking into account not only the domestic steel industry, but all other segments of the economy, including those who consume steel and have needs for alternative sources of supply. Among these, of course, are the steel fabricators. Also, we believe that consideration must be given to the dangers inherent in imposing substantial restrictions on steel imports such as possible retaliatory measures which might be taken against our own exports. In short, we respectfully submit that this entire matter should be the subject of the fullest and most extensive hearings giving all concerned ample opportunity to submit whatever data or views they may have.

Again, on behalf of British Wideflange, Inc., I appreciate having been given an opportunity to submit this statement for your consideration.

INDEPENDENT WIRE DRAWERS ASSOCIATION,
Washington, D.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: The Independent Wire Drawers Association is a national trade association representing over 30 independent non-integrated wire drawers and fabricators, located in the following states: California, Connecticut, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, Ohio, Pennsylvania, Tennessee and Texas.

I use the term "independent" to indicate these firms are not subsidiaries, divisions or captives of the major steel corporations. I use the term "non-integrated" in the sense that these firms do not possess basic steel-making capacity.

I should also like to explain the term "wire drawer". Wire is manufactured from wire rod, a semi-finished steel product, by drawing it through a series of dies which reduces the diameter of the wire rod and at the same time increases its length. Thus, the descriptive term "wire drawer".

A wire fabricator manufacturers a finished wire product from the wire, producing such things as nails, barbed wire, woven wire fence and welded wire concrete reinforcing mesh. Most members of our association fabricate some wire products in addition to drawing wire.

The basic raw material for the steel wire and wire products industry is hot-rolled carbon steel wire rod. In the United States, wire rod is produced by 15 vertically integrated steel mills; and 93 per cent of U.S. wire rod capacity is controlled by a mere 12 of these producers, including such industry giants as United States Steel, Republic and Bethlehem. Steel wire and wire products, however, are produced by both the major integrated producers of wire rod and by many small, independent, non-integrated wire drawers and fabricators, who are dependent upon the integrated producers for their wire rod. Economists characterize this situation where a supplier is also a competitor as "dual distribution."

As I am sure you are aware, the House Select Committee on Small Business held hearings on "The Impact Upon Small Business of Dual Distribution and Related Vertical Integration" in 1963; and in 1965 and 1966 the Senate Subcommittee on Antitrust and Monopoly Legislation held hearings on Senator Russell Long's bills, S. 1842, S. 1843 and S. 1844, which are designed to correct some of the abuses of dual distribution.

I would like to point out, however, that there is nothing inherently evil about this dual distribution situation so long as a normal relationship exists between wire rod, wire and wire product prices which permit an adequate margin for converting wire rod into wire, and wire into products. But beginning in 1955, the behavior of these prices has not been normal, instead, these prices illustrate an integrated producer in a dual distribution industry can apply anticompetitive price squeezes to their nonintegrated competitors.

The case of a typical wire product, annealed bailing wire, graphically illustrates the double price squeeze experienced by the independent wire drawers and fabricators. Prior to 1955 most independent producers purchased their wire rods from domestic steel mills at an average price of approximately $105 per ton. At that time baling wire sold for about $192 per ton which permitted the fabricators a reasonable markup on the wire drawing and fabricating process. But the major steel producers raised wire rod prices in 1955, 1956, 1957 and again in 1958. According to the Bureau of Labor Statistics, wire rod prices rose more than any other steel product during the postwar period. The price of the finished product did not increase proportionately, instead it decreased. A point was reached, in many areas, where the raw material was selling at a higher price than the finished wire product. For example, during 1963, hot-rolled carbon steel wire rod was sold for $144.50 per net ton. Yet, the same integrated steel mill was selling annealed baling wire for $141.50 per net ton.

The independent producer, of course, could not purchase wire rod from the integrated producers at $144.50, clean and draw the rod into wire, fabricate the wire into annealed baling wire and then compete against a price of $141.50. As a matter of survival the independent producer had to turn to imported wire rod.

As a result of the double price squeeze applied by the integrated mills, wire rod imports increased from 47,800 tons in 1955 to 1,250,000 tons in 1965, over 10 percent of total U.S. steel imports. These imports are consumed almost entirely by the independent wire drawers, and it is estimated that imports account for about 50 percent of the non-captive wire rod market.

Over a 5-year period, when domestic prices were perfectly rigid at $144.50 per ton, comparable foreign wire rod was being sold at $110, $105 and at times even less than $100 per ton. Steel mill spokesmen were quick to boast of their unwillingness to meet foreign competition. Instead the big steel corporations sought the protection of the U.S. Antidumping Act by claiming the foreign wire rod was being dumped in the United States. The two Federal agencies charged with the administration of the Antidumping Act disagreed. The Treasury Department found Japanese wire rod prices were "not less than fair value", and the Tariff Commission dismissed the complaints against wire rods from West Germany, Belgium, France and Luxembourg on the grounds of "no injury to a domestic industry".

In early 1965 the domestic steel industry reduced the price on so-called "common quality" wire rod from around $144 to approximately $125 per ton. For all practical purposes, this was a meaningless price reduction as far as the independent wire drawers and fabricators were concerned. In the first place, the price of $125 per ton was not competitive with the imported wire rod nor was it low enough to permit a fabricating markup. In the second place the definition of "common quality" only applied to certain types of wire rod and other important types of wire rod used by independent wire drawers and fabricators were still sold at the old high, uncompetitive price.

On March 1, 1966, the U.S. Steel Corporation withdrew published prices on low carbon wire rod, in order to aggressively compete against imported wire rod. Salesmen from the U.S. Steel Corporation have offered wire rod to most independent wire drawers at a price competitive with imported wire rod. This price decrease has been met by most of the other major domestic steel producers. The Independent Wire Drawers Association commends the domestic steel industry on its decision to meet foreign competition in the market place, and some independent wire drawers are now placing orders with domestic steel companies for a portion of their wire rod requirements. However, most independent wire drawers are extremely reluctant to place all of their business with the domestic mills, since they have established excellent business relationships with many foreign steel mills who supplied them in time of dire need.

A recent survey indicates that less than one half of the independent wire drawing firms affiliated with our Association purchased domestic wire rod since March 1, 1966. Poor delivery schedules, lack of a firm price at time of order, smaller size of domestic wire rod coils, and the failure of domestic mills to band wire rod coils making them more expensive to handle and store, were all cited as reasons for sticking with imported rod. West Coast wire drawers were almost unanimous in stating imported Japanese wire rod was definitely superior in quality to domestic rod available in their area. A copy of the report is attached to this letter.

The U.S. independent wire drawing industry needs continuing free access to imported wire rod—its basic raw material. Any quota arrangement is sure to force up the price of wire rod and create periodic shortages—at the expense of the independent steel fabricator and the consumer.

The domestic steel industry wants continued free access for its raw material, iron ore. During the past four years almost 40 percent of all iron ore consumed by the domestic integrated steel mills was imported. In addition, the steel industry has been lobbying for the duty free entry of molybdenum, an imported raw material for the U.S. die and tool steel making industry.

I would now like to address myself to the question of the impact of foreign imports on the American wire and wire products industry. As you know from my earlier remarks, is was the availability of low cost imported wire rod which kept the U.S. independent wire drawing industry alive during the period of the Big Steel price squeezes. My own company, Wire Sales Company of Chicago, would probably not be in business today if it were not for imported wire rod. As a result of wire rod imports the major U.S. wire rod producers have lowered their prices to a competitive level—approximately $90 to $100 per ton. This is something the domestic steel mills are well able to do, since our own independent studies indicate wire rod can be produced for around $70 per ton. We are now in the position of having a free and competitive wire rod market in the United States because of imported wire rod.

Probably the best evidence of the healthful competitive impact of steel imports on the American steel industry, aside from the domestic price decreases, is the recent announcements of the U.S. Steel Corporation and Bethlehem Steel Corporation that they plan to build new, modern wire rod mills. U.S. Steel Corporation will build a huge wire rod mill at its Fairless Works near Philadelphia

which, according to the *American Metal Market*, "will rate as the greatest rod mill in the world." Bethelehem Steel Corporation is spending $34 million to build a new wire rod mill at its Sparrows Point Works in the Baltimore area. Unquestionable these two modern rod mills will be able to meet import competition head on in the market place. This, I contend, is good for the American economy, the American steel industry, and is beneficial to independent wire drawers.

There is an international trade policy which conforms to this practical business approach. This policy goes right back to the founding of this great nation and advocates duty-free or low duty entry for raw and semi-finished materials and higher duties on finished manufactured items produced by our domestic industry.

In the "Report of the Secretary of the Treasury of the United States on the Subject of Manufactures" which was presented to the House of Representatives on December 5, 1791, the then Secretary of the Treasury, Alexander Hamilton, after reviewing the advantages of promoting industry in the United States, as opposed to a strictly agarian economy, outlined the proper means for developing manufacturing industries. Two of his important points are:

"I. *Protecting duties—or duties on those foreign articles which are the rivals of the domestic ones intended to be encouraged.* Duties of this nature evidently amount to a virtual bounty on the domestic fabrics, since by enhancing the charges on foreign articles, they enable the national manufacturers to undersell all their foreign competitors * * * it has the additional recommendation of being a resource of revenue—Indeed all the duties imposed on imported articles * * * have the effect in contemplation, and except where they fall on raw materials bear a beneficient aspect towards the manufactures of the country."

And, in addition, he advocated:

"VI. *The exemption of the materials of manufacturers from duty.* The policy of that exemption as a general rule, particularly in reference to new establishments, is obvious. It can hardly ever be advisable to add the obstructions of fiscal burdens to the difficulties which naturally embarrass a new manufacture; and where it is matured and in condition to become an object of revenue, it is generally speaking better that the fabric, than the material, should be the subject of taxation."

I sincerely believe the U.S. steel industry and other major industries should have free access to world markets for raw materials. I submit, however, that in the past 175 years the definition of raw material has become more sophisticated. We should recognize that semi-finished steel, such as hot-rolled carbon wire rod, is as much a raw material as iron ore or molybdenum ore and concentrates. This is a trade policy which makes a great deal of sense to me.

It is interesting to note that Secretary Hamilton almost faced this precise issue in 1791 in regard to the duty-free entry of pig iron, which the Iron and Steel Orderly Trade Act of 1967 would place under question. The 1791 report states:

"A question arises, how far it might be expedient to permit the importation of iron in pigs and bars free from duty. It would certainly be favorable to manufacturers of the article; but the doubt is whether it might not interfere with its production.

"Two circumstances, however, abate if they do not remove apprehension, on this score; one is the considerable increase of price, * * * and which renders it probable that the free admission of foreign iron would not be inconsistent with an adequate profit to the proprietors of iron works; the other is, the augmentation of demand, which would be likely to attend the increase of manufactures of the article, in consequence of the additional encouragements proposed to be given. But caution nevertheless in a matter of this kind is most advisable. The measure suggested ought perhaps rather to be contemplated, subject to the light of further experience, than immediately adopted."

I might add, though, that Secretary Hamilton did recommend the duty-free entry of copper in pigs and bars, lumber for shipbuilding, and sulphur and salt peter for the manufacture of gun powder.

I would like to add only one modification to this basic trade philosophy, that is, when we have a situation of monopoly, oligopoly, administered prices of fixed prices in the U.S. market, then we should definitely lower the tariff and non-tariff barriers to allow the free flow of imported materials in order to achieve

full and free competition in the domestic market. This is one way of helping to implement our equally historic policy of free competition which has helped to make us a great nation.

Unfortunately, no duty reductions were made on wire rod during the Kennedy Round, even though competing fabricated wire end products were reduced a full 50 percent. Thus, the independent wire drawer still will pay the same duty on his raw material, while importers of fabricated wire products receive the benefit of a 50 percent duty reduction. To impose a quota on us would be most unfair.

In conclusion, in the U.S. wire and wire products industry, imports of wire rod were the economic salvation of the independent wire drawers. These imports have helped reduce the price of U.S. wire rod and now we are enjoying the benefits of a relatively free and open wire rod market in the United States.

The independent wire drawers would like the United States to continue to follow an international trade policy of enlightened self-interest permitting the duty-free entry of the raw and semi-finished materials used by American industry. We are definitely opposed to the Iron and Steel Orderly Trade Act of 1967 unless it specifically exempts wire rod (TSUS Item Nos. 608.70 and 608.71) from the quota.

Very truly yours,

F. C. MUNTWYLER, *President.*

[Enclosure]

THE UNITED STATES INDEPENDENT WIRE DRAWING INDUSTRY AND STEEL WIRE ROD IMPORTS

An analysis of an economic questionnaire concerning the withdrawal of list prices on hot-rolled carbon steel wire rods by the United States Steel Corporation and other domestic steel mills on the wire rod purchasing patterns of Independent Wire Drawers Association Members.

On March 1, 1966, the United States Steel Corporation announced it was withdrawing its published prices on hot rolled low carbon steel wire rods in order to meet foreign wire rod import competition directly in the marketplace. This action was followed by several other major domestic steel mills.

The Independent Wire Drawers Association, whose members consume most of the foreign wire rod imported into the U.S., publicly commended the domestic steel industry on its decision to reduce rod prices. The President of the Independent Wire Drawers Association, Mr. F. C. Muntwyler, testified on this price reduction before the House Committee on Education and Labor, General Subcommittee on Labor, on September 21, 1966, as follows:

"Most independent wire drawers were not in a position to place large orders with domestic steel companies at the time the price reduction was announced because of prior commitments to foreign suppliers; but independent wire drawers are now placing orders with domestic steel companies for a portion of their wire rod requirements.

"At a recent meeting of the board of directors of the Independent Wire Drawers Association it was agreed as a matter of general principle that independent wire drawers should attempt to purchase at least half of their wire rod requirements from domestic mills and the other half from foreign sources. Most independent wire drawers are extremely reluctant to place all of their business with the domestic mills, since they have established excellent business relationships with many foreign steel mills who supplied them in times of dire need."

In order to determine the impact of the U.S. Steel wire rod published price withdrawal on the wire rod purchasing patterns of its membership, the Independent Wire Drawers Association (IWDA) recently sent a confidential economic questionnaire to its members. *The results of this questionnaire indicate that less than one half of the independent wire drawing firms affiliated with the I.W.D.A. purchased domestic wire rod since March 1, 1966.* The amount of domestic wire rod purchased varied from token purchases to, in one instance, 100 percent of the firm's wire rod requirements. Most of the firms purchasing domestic wire rod are located in the mid-western and central states areas where inland freight costs make imported wire rod less competitive with domestic wire rod than in the coastal regions. *Average delivered price of domestic rod purchased was $110 per short ton.*

More than half of the independent wire drawing firms affiliated with the I.W.D.A. relied exclusively on imported wire rod. East and Gulf Coast firms

purchased almost all of their wire rod from Western Europe, while West Coast firms purchased their wire rod primarily from Japan with some purchases from Australia. ***Average delivered price of imported rod purchased was $98 per short ton.***

Most importantly, more than half of the independent wire drawing firms affiliated with the I.W.D-A. thought imported wire rod is superior in quality to domestic wire rod. This was of particular significance on the West Coast.

Ordinarily, U.S. steel consumers will shift from imported to domestic steel when the domestic price is within 10 to 15 per cent of the imported price. But it appears the shift did not take place in wire rod because the domestic reductions are limited to certain geographic areas and certain sizes. The poorer quality of domestic wire rod is also an important factor.

Here are some typical answers to the question: "Have the price reductions in wire rod initiated by U.S. Steel Corporation and other integrated domestic producers had any significant effect on your wire rod purchasing patterns?"

"No. We have been contacted by several domestic producers who indicated a desire to sell us wire rod at a negotiated price, but no one yet quoted us a definite price or a definite schedule of deliveries.

"The price reductions offered by integrated domestic producers has had no effect on our purchasing patterns since the prices offered by these producers does not have enough spread between cost of wire rods and their selling price of finished products to allow an independent producer to convert the wire rod and then compete with the finished goods.

"No. U.S. Steel Corporation will only negotiate prices on 7/32", 1/4" and 5/16" wire carbon rods.

"We plan to purchase about 25% of our requirements from U.S. Steel. However, may have to change this thinking—notice some hedging and inching up of prices. Will not offer full size ranges of rod. We are afraid to commit greater tonnages.

"No. Have not been quoted any firm prices. Indicated prices are still higher than European.

"No, they have not been able to offer delivery at competitive prices. We have had no offers to negotiate rod prices. On certain sizes prices have been made competitive (within 5% to 10%) as a result some tonnage was shifted back to American mills. This was done only where we were sure of getting the quantity and delivery needed.

"So far this has been satisfactory but because of the past history of American mills in not meeting competition with price and quality, we do not plan to drop our foreign suppliers.

"No, U.S. Steel is not interested in competing in this area at this time. Bethlehem is almost $8 cwt. higher than imports in this area.

"No. Not priced competitively in our area. Limited to quality and size of rod available."

Contrary to the oft repeated statements of domestic steel industry spokesmen, foreign wire rod prices were not reduced during the past year. Rather, the foreign rod prices remained reasonably firm.

The membership of the Independent Wire Drawers Association agreed unanimously that any restriction or additional tariff levy placed on imported wire rod would have a disastrous effect on their business. Most thought it would force them out of business.

HOBART BROS. CO., *Troy, Ohio.*

Hon. RUSSELL LONG,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: It is with considerable concern that I have been following the pressures that the United States steel industry has been putting on Congress to give them help on unjustly curbing steel imports.

Unfortunately, I do not have the full contents of the proposed legislation—but the articles would indicate that rigorous controls are to be applied that go far beyond a good, commonsense approach to the problem—indicating that we seem to be forgetting that we must import if we expect to export to the various countries.

It would seem to me that the steel industry should first spend their efforts and time getting their products on a competitive basis—and sell their products—rather than continual harras-ment and worry about a phase in which they for

many years participated as a gross exporter—they must realize that this simply is a new industrial way of life if we are to survive in the world markets.

It is my firm conviction that some of the programs we are setting up for the underdeveloped nations could well be supplemented by working out a more complete industrialized approach, permitting them to export to us and helping these countries in this way—we can see the results where this type of program has been used and the nations are self-supporting—as an example, West Germany, Japan, etc.

I hope you understand that my concern is for the good of our industrial economy—our forefathers gave to us a very basic and healthy nation, therefore, it behooves us to pass on to the next generation a healthy industrial atmosphere and a solvent economy.

I want to emphasize that these comments are my own personal views and not those of my management.

Sincerely,

B. A. LUTZ,
Director of Purchases.

ANALYSIS—UNITED STATES-JAPANESE TRADE

"The steady growth and freer flow of world trade are essential to full prosperity at home, economic growth and stability in the industrialized Countries, and progress in the developing world." (L.B.J.—Sept. 20, 1966)

(1) Japan is United States second largest customer. (Canada largest)

(2) In 1966 U.S.-Japan trade reached a peak of $5.26 billion—nearly three times the volume a decade ago.

(3) During the last 10 year span U.S. exports to Japan were almost $19 billion resulting in a U.S. trade surplus (exports over imports) of almost $2 billion.

(4) Due to U.S. booming economy and the Japanese economy just starting to improve after a recession—imports from Japan totaled $2.95 billion—compared with U.S. exports to Japan of $2.31 billion (Bilaterial trade balances usually vary with both economies).

(5) In 1966 Japan was the best overseas market for U.S. farm products amounting to *$949 million*—at the same time United States was the most important market for Japanese steel—totaling *$538 million*—a difference in U.S. favor of *$411 million.*

STATEMENT BY JAMES E. BELLAMY, PRESIDENT, WEST COAST METAL IMPORTERS ASSOCIATION, INC.

The West Coast Metal Importers Association represents more than 100 importers of steel and allied metal products on the West Coast of the United States. Its members' firms are located throughout the West Coast; in Los Angeles, in San Francisco, in Seattle, and in Portland. Its members are engaged principally in the importation and sale of steel mill products in the United States. Sources of supply for this steel are Europe, Japan, Australia, South America, the United Kingdom, and South Africa. We estimate that in 1966 members' sales were in excess of one million tons, valued at $ 150 million.

S. 2537, which would directly limit the importation of steel mill products, and other quota bills which would establish general formulas for reducing imports can only invite retaliation from this country's trading partners. Because countries do not normally sell in international trade the same products which they buy, the industries retaliated against will not be the industries protected by the various bills before this Committee. The steel industry will not pay for its protection. No doubt agriculture will.

S. 2537 and the generalized quota bills are a threat to our existence as an industry and to the economic dynamism of the West Coast.

(1) The concept of quota limitations for steel, or indeed other commodities, necessarily implies the abandonment of U.S. liberal trade policy and a return to insular protectionism; the U.S. steel industry has no claim to such special protection.

(2) Access to imported steel is vital to many independent producers of finished products.

(3) The availability of imported steel is essential to preserve competition in the United States steel industry, to maintain reasonable prices, and to hold back inflation.

(4) A rigid quota system organized by narrow categories will stifle and bureaucratize the trade; this is so whether quotas are based upon international negotiations or upon a unilateral proclamation by the United States.

(5) Most important for us, a quota system would make it much more difficult for the independent American importer-distributor to find and to negotiate with a source of supply.

It is incredible to us that the Congress of the United States can be seriously considering bills which would drastically limit imports at this time, only a few months after the successful conclusion of the Kennedy Round. This negotiation was designed to expand world trade in the interest of everyone, and in the opinion of knowledgeable observers, achieved this aim. There has been for many years a broad concensus that a liberal trade policy is truly in the national interest. Nothing has occurred to justify a doubt that that concensus still obtains. Nothing has occurred to justify abandonment of that policy.

The American steel industry was laggard in the introduction of new technology to compete with the modernized industries of Japan, Europe and other of our suppliers. In recent years, however, it has been investing heavily in new technology and, if it cares to do so, is in a position to meet foreign competition in the market place rather than in Federal and State legislatures. The consumer of steel products obviously benefits from this competition. We believe that the competitors for the consumer's dollar also benefit.

The availability of foreign steel has made a very significant contribution to keeping down the cost of living. This is not only because the imported products are themselves usually somewhat cheaper. It is also because the availability of foreign steel tends to impose limitations on price increases by American companies. The most significant fact about a quota system for the American producers and for the American people is that there would be much less steel in the market to inhibit price increases. As it is, it looks as though this country is faced with a very unpalatable dose of inflation. A quota for steel will contribute tremendously to that unfortunate trend, the effect of which will be higher prices for buyers in the United States as well as higher, less competitive prices for steel-using United States goods sold for export.

To a very large extent the sale of steel and steel products by the members of the West Coast Metal Importers Association are made to small independent steel fabricators and secondary producers of steel products. These are neither integrated with "Big Steel" nor are they such large buyers that they can be assured of preferred treatment or continuing sources of supply, especially when industry is threatened by strikes or other dislocations. The availability of foreign steel is necessary to these producers to lessen their dependence upon the large American integrated producers, who are also their competitors in the sale of end products. In a broader sense, imported steel is necessary to relieve tight market supply situations, as when military uses make unusual demands upon supply.

S. 2537, which was introduced on October 16 and which would establish quotas by seven-digit TSUSA categories, is, designedly—we assume—a monstrosity for anyone who has to consider operating under it. It is ironic indeed that the American steel industry, which has so strongly opposed any U.S. government controls or government intervention throughout its whole history, should now urge that the import trade be ossified in bureaucratic and administrative rigidities. Nothing could be more contrary to the American spirit of free enterprise. We cannot envisage at this point exactly how such controls would work, but at the least it should be obvious that the business of servicing the market for steel products would turn into an unseemly scramble for a share of products whose availability has been artificially limited. The rewards of business enterprise would go, not for ability to service and to sell, but for ability to maneuver in the hassle for a source of supply. We strongly object to regulation of this kind and with these results for our industry.

For the members of the West Coast Metal Importers Association, the evil of quotas would be greatly compounded by the fact that the independent American members of this trade are already in competition with the large Japanese trading companies who are both steel exporters in Japan and importers into the United States. We greatly fear that if a quota system were applied to Japan, the principal supplier to the West Coast market, there would be a tendency in Japan to favor the Japanese companies. Perhaps this would be understandable under the circumstances; but it means that passage of S 2537 could be the end of the independent importer-distributor. Only the biggest would survive,—or the least scrupulous.

We earnestly ask that the Senate Finance Committee reject all such proposals.

BRAEBURN ALLOY STEEL,
Braeburn, Pa.,

MR. THOMAS VAIL,
Counsel, Senate Finance Committee,
Washington, D.C.

DEAR SIR: We are a small integrated tool steel mill in Western Pennsylvania who have a vital interest in limiting the unfair competition of steel imports. Our main business in the past has been production of hot work die steels in which we were a leader prior to the intense foreign competition experienced in the past seven years.

We are the main support for a community of some 3,000 families in Western Pennsylvania. Nearly fifty percent of our employees have been with us over twenty-five years.

While we are a relatively small tool steel mill, our product is used to shape or cut hundreds of thousands of tons of steel and other nonferrous metals. We now find that, as a result of foreign competition particularly from Austria which is nationalized, we have had no growth in that portion of our business which formerly constituted fifty percent of our volume. Prices have deteriorated as much as forty percent since 1961 in our main product line and are still falling. Our labor costs have increased twenty and one-half percent on average hourly wages; and costs of raw material and alloy elements used in our product have increased ranging from thirty-five to fifty percent in this same period.

The impact of the foreign competition on our hot work die steel market has caused us to close warehouses in Cleveland and Youngstown, Ohio, and Florence, Alabama. Our company has carried the Braeburn Division through many months of loss operations as a result of foreign competition.

We urgently support action by the Senate Finance Committee to limit imports of tool steels. Without some help on limiting imports of tool steels, this company will have to idle additional equipment which will affect a substantial number of workers in this community and would remove substantial production of specialized defense oriented hot work die steels from the market.

Very truly yours,

R. B. MACDONALD,
General Manager—Sales.

WIRE SALES CO.,
Chicago, Ill.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

MY DEAR SENATOR LONG: This letter is being written regarding the Iron and Steel Orderly Marking Act of 1967 now being introducted in Congress.

I would like to compliment you on your interest in the welfare of the small independent wire producers in our country. We have had a terrific price squeeze due to the increase in the cost of rods over the past 15 years, at the same time that our mills are reducing the prices on the finished products. This is the old dual distribution problem once again and I know you have been involved in that from time to time and are well aware of the problems and the disastrous results which can occur, particularly to small companies. If we couldn't get imported steel rods, we literally would have been out of business a long time ago. And right today we cannot buy rods from American mills on a day by day basis, produce our finished products and sell competitively. We must have some imported rods to average out and stay in business.

We buy many thousands of tons of American rods and so do all the other independent fabricators, but we need the imported rods to average our cost. The basic material we buy as independent operators is hot rolled carbon steel rod, officially classified as TSUS No. 608.70, 71.

Senator Long, actually hot rolled rods are not the most critical problem or the tonnage problem with the big steel mills. It is some of the other products, particularly steel, or as the mill calls it, hot bands in coils. Hot rolled rods comprise a very small percentage of the overall picture, yet there are a great many small companies whose existance is dependent on importing a portion of their requirements of hot rolled rods. If you feel that it is absolutely necessary, or a must, that we have quotas or restricting legislation on imports of steel products, I would like to ask if it wouldn't be possible for an amendment to be tacked on the bill exempting hot rolled wire rods from the Act. This

would mean that you would be exempting TSUS Items Nos. 608.70 and 608.71 from any legislation that might be passed. In this manner, I think Congress would accomplish what they are trying to do for the overall picture and still permit small independent wire producers a fair treatment and the ability to stay in business.

Really, Senator, I think this is the only way that we can be assured that we will have a condition of fair competition in the U.S. wire drawing business. I would certainly appreciate anything you can do to further this cause and help us. We really and honestly do need help in this area.

Thank you very much.

Sincerely,

F. C. MUNTWYLER, *President.*

METRON STEEL CORP.,
Chicago, Ill.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: Please be advised that I am opposed to the proposed Dirksen-Hartke Bill to place new import quotas on steel.

The proposed bill is a threat to the existence of many independent steel distributors and an action against small business concerns in the U.S.A.

The imposition of quotas would wipe out most of the gains achieved by the Kennedy Round tariff cutting negotiations. In my opinion it is the wrong approach and can turn back the clock on free trade and our efforts to work out commercial and economic understandings, especially with our Western European Allies, with whom we are enjoying a trade balance in our favor.

Imported steel has acted as an anti-inflationary measure and has induced the domestic mills to modernize and keep up with the developments in the steel community of the world.

It is our concern that an unwise action will cause many small business firms to suffer and be forced out of business and I feel that this is something that would concern you.

I shall be grateful if you will give my letter the consideration I believe it deserves.

Yours very truly,

ANDREW A. ATHENS, *President.*

SAN MATEO, CALIF.

HON. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.

DEAR MR. LONG: If any quotas are put into effect to reduce steel imports then, in all fairness, such quotas certainly would not apply to jobbers who cannot buy from domestic mills simply because they re-sell at less than the regular fixed prices. This collusion is far stronger now than twenty years or more ago, notwithstanding all statutes to the contrary. It now apparently includes not only domestic copper, stainless and aluminum mills but also Canadian mills.

No domestic or Canadian mill will sell me a single carload of copper, stainless or aluminum sheets although my Dun & Bradstreet rating is very good, apparently because I sell at far less than most jobbers, many of whom are mill-owned. They will not sell to me for cash, credit or on any other terms, although a very large percentage of this domestic business is on consignment.

Steel imports can be drastically reduced by prohibiting steel strikes, by domestic mills bringing their products and their selling methods up to foreign standards and by selling to all buyers at the same price and terms.

I know that you are very busy and it is not necessary that you answer this letter.

Sincerely yours,

FRANK E. MCCOY, *Importer.*

To Shops Who Are *Not* My Customers:

On Aug. 10th I sent you my price sheet simply because a pressure is being put on me as some of my customers are being quoted very low prices and I had reason to believe that these low prices are not being quoted to other shops. As a result I was nearly swamped with so much new business that my August sales were far higher than any month for a year. Anyway, they are not nearly as

smart or as tough as they think they are. Look what Bridge's outfit, the Warehousemen's Union, assisted by the Teamsters, did to them a few months ago. When they refused their unreasonable demands these unions promptly closed them up and in a few weeks they abjectly surrendered.

I understand they are reluctant to cut my prices outside of this area. I just don't see why they do it anywhere because whenever they cut $40 or more on a single sheet of, say 18ga.x48"x120" stainless, they are then admitting they have been robbing their own customers right along during all these past years. And if they ever try to go back to their old mark-up they will really have a hard time doing so. In fact, they just cannot do it as long as I am in business.

During the past week or so one of them has come out with a different deal; not quite so generous. A salesman comes into a shop with a great big smile, a 200 ft. roll of free aluminum foil for the missus, a brand new catalogue and an offer to sell as little as one sheet of stainless at their 1,000 lb. price! While this is about the same as my single sheet price, it is a terrific reduction for them. Since they also have places in Sacramento and Fresno you should be getting a call any day. And if you don't receive this offer soon you might remind them of the over-sight. I am sure they would appreciate it very much!

And if you think that present mark-ups are high for small amounts you should read the attached report. This states that a buyer of 2,000 lbs. of stainless of a single guage and width will now get a reduced price. This is apparently due to the fact that such a buyer can buy from an importer for direct shipment from a foreign mill. But this reduction will be taken from the hide of the small buyer who must now pay a really fantastic price. The price for a single sheet of 18ga.x48"x120" will now be about $106.40, instead of the present price of about $94.00, altho their cost of this sheet is only about $41.00. It seems utterly incredible that any jobber would have the nerve to state that they cannot make enough profit selling a sheet costing them $41.00 for only $94.00 so they must now charge about $106.40, for a gross profit of $65.00! And even if a shop buys 3 of these sheets the price will be about $258.00 for 3 sheets that cost them only $123.00, or about $45.00 profit per sheet, or more than 100%! At the same time they will sell 25 of these same sheets, or 2,000 lbs., for the same total profit, $135.00, or about $5.40 per sheet!

Just to illustrate graphically the fabulous jobber mark-up I am going to show you the difference between their prices and my prices on the following 7 items:

	Regular price	My single item price	My 500-lb. price
2 sheets, No. 4 stainless, 26 gage by 36 in. by 120 in.	$80.00	$37.80	$34.00
2 sheets, No. 4 stainless, 24 gage by 36 in. by 120 in.	76.20	47.80	42.00
1 sheet, No. 4 stainless, 18 gage by 36 in by 120 in.	68.90	41.80	37.40
3 sheets, copper, 16 oz. by 36 in. by 120 in.	95.40	68.70	61.66
10 sheets, aluminum, 0.025 oz. by 36 in. by 120 in.	82.40	54.00	44.00
6 sheets, aluminum, 0.032 oz. by 36 in. by 120 in.	63.14	44.40	33.30
50 lb. of solder, 50–50	62.00	54.50	53.90
Total	529.04	349.00	306.65

The difference in the last two prices is due to the fact that I combine all items, except sheet lead, for a quantity price. If the American mills would sell to me my prices would be about the same.

CUMBERLAND CORP.,
Chattanooga, Tenn.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: We have an employment of approximately 425 persons, and consume approximately 7,000 tons of steel rods annually in the manufacture of products for the dairy, poultry, and construction industries. A portion of our rod tonnage has been obtained from foreign sources, and our customers have benefited greatly from this arrangement.

The availability of high quality foreign rods at competitive prices has, in our opinion, been the sole reason for the few price concessions from the American Mills in recent years. Without foreign competition, the American rods would have remained sub-standard in quality, and high in price.

Our manufacturing operations will be seriously hurt if the availability of foreign rods at the present competitive prices is cut off. A major portion of our production involves delivery cases for bottled milk. In this product line, we could not compensate for increased costs by raising prices, as we are competing against all plastic cases, which are already priced considerably lower. The steel industry will suffer if this product is taken over by plastics.

As to our other product lines, our recent cost studies show that the narrow profit margins being made would not permit us to absorb additional raw material increases.

It is our opinion that a similar basic pattern exists throughout the United States. We feel the hard facts will show that the American public has gained in no small measure through lower steel prices from U.S. mills, that would not have prevailed had it not been for the real competition that the foreign imports created. Furthermore, the mills and the public will, no doubt, gain as a result of the more modern steel facilities that this foreign competition has caused to be installed throughout this nation.

We understand that the staff of the Senate Finance Committee has completed and turned over to the members of the Senate Finance Committee a comprehensive study of the steel import situation. We urge that the Congress not act on any legislation until this study is released, and those in the industries effected have had a chance to study and comment on the report.

Yours truly,

CHARLES T. ROBINSON,
Vice President.

MARWIL PRODUCTS CO.,
Fort Loramie, Ohio.

Senator FRANK LAUSCHE,
Washington, D.C.

DEAR SENATOR LAUSCHE: The steel import quota proposal now before the Senate Finance Committee poses a serious threat to our company and our country from the economic point of view. I feel that I am being deprived of a free choice in the purchase of raw materials. Also, such quotas would make it easy for the domestic industry to raise prices, and would probably also result in increased prices for imported steel. Also, there is no question but that foreign nations would retaliate against American exports, which in turn would contract the over-all economy.

In last month's *Fortune* magazine, there is a timely and cogent editorial on this whole matter. I urge you to read it.

Please convey my feelings to the Senate Finance Committee. I remain,

Sincerely yours,

WILLIAM B. MARWIL.

M. J. STAVOLA & CO., INC.,
Danbury, Conn.

Hon. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I would like to bring my views to you on Bill S 2537, relative to import quotas on new steel. I sincerely feel that our scrap processing industry will be affected by this import quota, for scrap exports make up some different for the import of iron ore. If the steel mills want import quotas on new steel then, likewise, put import quotas on iron ore. Believe me, if the scrap iron does not move from our heavily populated areas, such as the East Coast, we will be buried in heaps of metal. The cities will not have sufficient dumping space. The scrap prices are so cheap as it is, that it will not take much to stop the movement. Get the mills to use the equivalent of the scrap iron that is exported and maybe they will find import quotas are not necessary. This is not a question of jobs at stake in the steel mills, but it is in the scrap processing industry, which involves many small independent operators, that employ many people, that keep America alive.

I seek your support to reject this bill S. 2537.

Sincerely,

M. J. STAVOLA, *President.*

NEWMAN IRON & METAL CO., INC.,
Los Angeles, Calif.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.:

DEAR SIR: We would like to go on record as being against Import Steel Quota Bill #S. 2537. We believe that the Country has been subsidizing too many individuals and industries. The Steel Industry should set its house in order and become competitive with foreign sources. We also believe that this Country needs and should have a good, healthy import and export program. The above facts also should be pointed out to some of our so-called "labor leaders". It is time they realized that they are pricing us out of world markets. I do believe that we cannot exist without export and import trade.

Respectfully yours,

HAROLD NEWMAN.

DALLAS, TEX.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

As a manufacturer we are dependent to a degree on the free import market of steel. We feel that the steel import quota now being discussed is not in the best interest of our industry.

C. A. LAVENDER,
President Jamieson Manufacturing Co.

JACKSONVILLE, FLA.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

We understand that hearings will commence Wednesday on Senators Dirksen and Hartke's bill to attach certain steel import quotas to the social security bill already passed by the House. The Senate Finance Committee has conducted an extensive study which has a direct bearing on the imports of various steel items. If at all possible we would like to have that report released immediately so that it may be studied by those affected in the steel industry. If this is not possible then we hope you will specifically exempt wire rods under that section of the bill pertaining to steel quotas. We are domestic manufacturers of welded wire fabric and employ about 100 people. As such wire rods are the heart of our existence and we would appreciate any assistance you can give us on this matter.

J. T. WELLMAN,
Vice President and Assistant President, Ivy Steel & Wire Co.

MIAMI, FLA.

Senator RUSSELL B. LONG,
Chairman, Senate Committee,
New Senate Office Building, Washington, D.C.

Strongly urge that Senate Finance Committee defer hearings on steel import quotas until staff study of that committee on steel import situation is made public. As a domestic manufacturer dependent on imported raw material for continued existence in business am opposed to import restrictions. Feel it ridiculous and inappropriate that my tax dollars have helped to pay for an objective study of the steel import situation which is not being made available to the concerned public prior to hearings on the subject.

J. A. REAGAN,
Florida Wire Products Corp.

DALLAS, TEX.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

As an independent manufacturer of chain links fence it is imperative we have access to a free supply of imported wire rods. From this raw material we draw

wire, fabricate, galvanize, package and ship the finished product. Without a free suply of raw material we cannot compete with integrated steel mills who engage in dual distribution. I ask your help to block the proposed steel quota. If this isn't possible strike wire rods from the steel list. Give small business just a little consideration instead of big steel this time.

H. A. LAWRENCE,
Halco Fence & Wire Co.

DALLAS, TEX.

Hon. Senator RUSSELL LONG,
Senate Office Building,
Washington, D.C.

Southwest Wire Products Corp. is an independent wire drawing and wire fabrication company and as such is vitally interested in the import quota hearing. Our entire existence is predicated on the use of imported steel since the domestic mills have established selling price of wire rods (raw material) and the selling price of fabricated wire finished material) without a suitable spread to allow for manufacturing cost. Wire rods are not available from domestic sources at a price we can afford to pay. If the availability of import steel were curtailed in any way our business could not operate profitably. We urge that no quota system be considered that would be detrimental to the independent steel fabricators in the United States.

W. C. GREEN,
Vice President, Southwest Wire Products Corp.

HOUSTON, TEX.

Senator RUSSELL LONG,
Washington, D.C.:

We are independent manufacturers of wire products in the State of Texas. To compete economically our raw materials must be of import origin. We feel any curtailment of imported steel in the State of Texas would most certainly be disastrous to our firm and others like us. Our workers are mostly unskilled. Curtailment of our business would result in a layoff. The chance of them finding other work at their pay would be practically impossible. Again, please vote against any curtailment of steel imports.

W. B. CRIST,
General Manager, Texas Field Fabric, Inc.

POPULAR & SPECIAL NUT CO., INC.,
FERNDALE, MICH.

Senator LONG,
Chairman, Finance Committee,
New Senate Office Building, Washington, D.C.:

This company (the Popular & Special Nut Co., Inc.) was started in 1945 by five brothers who served 12 years in the Armed Forces in World War II. We asked no Government aid to start in the manufacture of industrial fasteners. All we asked was an opportunity to make and pay our own way. In 1945, the price of drawn steel bars (raw material for our product) sold at 6 cents a pound. We bought drawn bars, manufactured our products, sold it and prospered. By 1949 the price of drawn bars rose to 9 cents per pound and it became necessary to change our method of fabrication from screw machine to cold forming and used steel wire, costing 7 cents per pound. From 1949 to 1955 the price of steel wire rose from 7 cents per pound to 10 cents per pound. At the same time importations of common steel fasteners begin to flood the American market. We therefore switched to rod which sold at 7.5 cents a pound to offset increased labor costs and meet the import fastener prices. From 1955 to 1962 the American Steel Co. again increased prices. Rod went from 7.5 cents a pound to 10 cents a pound. We therefore had to buy rod from Japan and England at 6.95 cents a pound to meet the competitive situation. Now, we are at the line. If the quota curbs are imposed on the free flow of imported steel rods into the United States, with no curbing of the imported fasteners, we will have lost our best weapon to fight inflation and competition. We therefore urge you to wait until all studies of this situation on steel rods are in, in order that you may fully know the extent of the damage caused by steel quotas to small businesses who are the best soldiers in the fight against increased cost and inflation.

JAMES TOPOLEWSKI, *President.*

NEW HAVEN, CONN.

Senator RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

Request you oppose steel import quota bill. As proposed it would increase our raw material cost (wire rod) as finished wire is not on quota list. Passage would permit continued low selling price of our product, steel wire, and resultant squeeze could put us out of business.

ATLANTIC WIRE CO.,
W. E. HITCHCOCK, Jr., *President.*

HOUSTON, TEX.,

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Our company opposes steel import quota legislation. We have experienced the horrors of steel allocations which closed hundreds of small fabricators before imports were available. A quota system today would ruin thousands of manufacturers who exist only because the cheaper raw material enables them to manufacture items where major domestic mills have virtually no spread between the raw material and finished product. The domestic steel industry enjoys huge profits and often in the past few years could not even supply the demand. Consider the jobs of dock workers and fabricators that would be in jeopardy. If imports never existed the price of domestic steel would double what it is today. Our experience with quota system of other products is absolutely unworkable and at times has held items in bond for 3 years. Such legislation would make a farce of Kennedy Round and other negotiations toward free trade in Western World. Undoubtedly reprisals will be forthcoming by affected countries that will harm our balance of trade. The wealthy domestic steel industry is willing to jeopardize profitable exports of other Americans for their own selfish interests.

MAURICE PINCOFFS CO.

NEW ORLEANS, LA.

Senator RUSSELL LONG,
Senate Finance Committee,
Washington, D.C.:

Respectfully request you consider this telegram as strongest possible opposition to any steel quota legislation or any other quota systems for following reasons: Our conviction that any such action is a terrible backward step in our foreign policy and would be detrimental to world peace and economic stability. This action would strongly undermine progress made since 1933 and in our opinion evidence bad faith in world community and with other Kennedy Round negotiators. Believe this approach economically unsound. Our own experience over some 45 years indicates that majority of our American manufacturers can maintain their volume based on their ingenuity and ability. Quotas would only result in complete elimination of hundreds of fabricators depending on import raw materials as well as substantial unemployment of those engaged in these businesses and also import and export firms.

SAM REISFELD & SON IMPORT CO.,
ROBERT I. REISFELD.

UNIONTOWN, PA.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

As a small fabricator of wire bale ties, we are deeply concerned with the threat of raising import duties on our raw materials, steel wire rods. We believe the release to the Congress of the study which you made on dual distribution as it pertains to the steel industry would be extremely helpful to the defeat of these tariffs.

CAVERT WIRE CO., INC.,
M. L. SWIMMER, *President.*

CARTERET, N.J.

SENATOR RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: As an independent, nonintegrated wire manufacturer, constantly harassed in our normal business operation by the dual distribution character of the big steel industry, we urgently recommend your releasing the study of the Senate Finance Committee on the steel import problem. We are unalterably opposed to any import quota taken until this report is made public, to both government and industry agencies. Yours truly,

REPUBLIC WIRE CORP.,
NORMAN M. GELLER, *Vice President.*

DOWNEY, CALIF.

SENATOR RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

We are a domestic manufacturing Company, using imported wire rod and American union labor. There are hundreds of companies like ours. Are U.S. Steel Corp. and Bethlehem Steel Corp. the only manufactures that need protection? Small domestic manufacturing companies like ourselves are dependent upon a free supply imported wire rod.

WIRE CORP.,
DAVID P. PIERING, *President.*

SOUTH SAN FRANCISCO, CALIF.

SENATOR RUSSELL B. LONG,
New Senate Office Building,
Washington, D.C.:

Offer foreign steel quota bill suggest for any action. Have tax record be made public so that we as small nonintegrated wire manufacturers can study. We feel that should maintain free market in steel.

EDWARDS WIRE ROPE,
STERLING EDWARDS, *President.*

HOUSTON, TEX.

SENATOR RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Members of Texas Association of Steel Importers respectfully protest all bills attempting to place quotas on imported products. Imported steel products have contributed to staying inflation, modernization of domestic mills, and the livelihood of thousands of American citizens. Any addition to the existing walls against stimuli to the prosperity of our country. Members of Texas Association of Steel Importers sell products to homebuilders, manufacturers of household appliances, local, county, and State governments, highway builders, and to most of the small- to medium-sized Southwestern manufacturers using steel in their products. To deny these customers the benefits of the competition afforded by imported steel would seriously disadvantage the smaller elements of these businesses. We are confident your committee will reject the impositions of the bills it will consider at the public hearing on import quotas. The association is prepared to support the statements made in this letter and will document the facts for your committee upon your request.

Respectfully submitted.

FRANK DONNELLY, *President.*

HOUSTON, TEX.

SENATOR RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

We are a Texas firm which depends for its continuation of a free choice in the purchases of its steel.

If imported steel were not available or if its availability were severely curtailed our business could not operate profitably as the domestic industry prices its products in a manner to make it difficult or impossible for the independent fabricator.

The integrated mills have made price concessions to the independent fabricators only when there was import competition without such competition have sent prices in accordance with their own convenience.

Imported steel has been the principal factor in making Texas steel fabricators competitive with the integrated domestic mills who ship products competitive with ours from outside of our State.

Srongly urge that no quota be considered which does not take into consideration the legitimate interest of the independent steel fabricators in the United States in general and particularly in the State of Texas.

We understand that a study by an independent economist, Prof. Weidenhammer, was commissioned by the Senate Finance Committee, and this study has been completed but its content has not been released. And we urge that no action whatsoever be taken until this study has been released to the public and has been subjected to complete study and public discussions and hearings.

The users and fabricators of steel in the State of Texas would stand to suffer severe losses for any hasty or ill considered action in connection with the current steel quota proposals.

SENTRY STEEL & WIRE CORP.

KANSAS CITY, MO.

HON. RUSSELL LONG,
Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Broski Brothers, Inc., manufactures chain link fencing and other wire products. We compete against the integrated domestic steel mills. The free supply of import wire rods is vital to us as independent wire producers. Any action by the Congress to set quotas on steel imports will threaten our very existence. We urge your vote against import quotas on steel. We would welcome the opportunity to discuss this matter with you in person by phone or by letter. Vote against import quotas. We thank you for your help.

S. M. BROSKI, Jr.

Senator RUSSELL B. LONG,
Washington, D.C.:

We urge you to oppose the steel import quota bill and other bills restricting imports. Please identify yourself with efforts to find constructive domestic answers to whatever economic problems American producers face. The Nation cannot afford to negate world trade achievements so vital to its basic goals home and abroad.

JOHN W. HIGHT, *Executive Director,*
Committee for a National Trade Policy, Inc.

S. 2554, a bill to provide for the orderly marketing of flat glass imported into the United States by affording foreign supplying nations a fair share of the growth or change in the U.S. flat glass market, follows:)

GLASS IMPORTS*

90th CONGRESS
1st Session

S. 2554

IN THE SENATE OF THE UNITED STATES

October 18, 1967

Mr. Randolph (for himself, Mr. Byrd of West Virginia, Mr. Lausche, Mr. Scott, Mr. Dirksen, and Mr. Harris) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To provide for the orderly marketing of flat glass imported into the United States by affording foreign supplying nations a fair share of the growth or change in the United States flat glass market.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the total quantity of flat glass which may be entered,
4 or withdrawn from warehouse, for consumption in any calen-
5 dar year beginning after December 31, 1967, shall not ex-
6 ceed four hundred fifty million square feet, of which no more
7 than twenty-six and one half million square feet shall consist
8 of the articles specified in items 541.11, 541.21, and 541.31
9 (relating to cast or rough rolled glass), no more than fifty-

II

*Witness testifying on this subject, pp. 983–991. Communications received by the committee on this subject, pp. 991–994.

1 four million square feet shall consist of the articles specified at
2 items 543.11 to 543.69 inclusive (relating primarily to plate
3 glass and float glass), no more than three hundred sixty-five
4 and one half million square feet, single strength equivalent
5 basis, or four hundred thirty million pounds, shall consist of
6 the articles specified at items 542.11 to 542.98 inclusive and
7 items 544.11 to 544.17 inclusive (relating primarily to sheet
8 glass), no more than three million square feet shall consist of
9 the articles specified at item 544.31 (relating to toughened
10 (specially tempered) glass), and no more than one million
11 square feet shall consist of the articles specified at item 544.41
12 (relating to laminated glass) of the Tariff Schedules of the
13 United States: *Provided*, That these quantities shall be in-
14 creased or decreased for any calendar year beginning after
15 December 31, 1968, by the same percentage that total ship-
16 ments by domestic manufacturers of these articles (as re-
17 ported by the Bureau of the Census from data submitted by
18 domestic manufacturers on report Forms (BDSAF-375,
19 M32A, or any successor to or revision of those forms) in the
20 immediately preceding calendar year has increased or de-
21 creased in comparison with the average annual shipments by
22 domestic manufacturers of these articles during the years
23 1965 through 1967 inclusive.
24 SEC. 2. The Secretary of Commerce shall determine
25 and allocate the allowable quantities of flat glass which may

1 be entered, or withdrawn from warehouse, for consumption
2 among supplying countries by category of product on the
3 basis of the shares such countries supplied by category of
4 product to the United States market during a representative
5 period, except that the Secretary shall give due account to
6 special factors which have affected or may affect the trade
7 in any category of such products. The Secretary of Com-
8 merce shall certify such allocations to the Secretary of the
9 Treasury.

10 SEC. 3. The Secretary of Commerce shall, upon the
11 application of any interested party, determine whether there
12 is sufficient production in the United States of any flat
13 glass article in conjunction with the imports of such article
14 specified in this Act to meet anticipated demand for such
15 article for domestic consumption, as estimated by the Sec-
16 retary, and if a deficiency is found to exist, determine the
17 increase in imports of such article required for such period
18 of time as will supply such deficiency. The Secretary of
19 Commerce shall certify such determination to the Secretary
20 of the Treasury.

21 SEC. 4. The President is authorized to enter into trade
22 agreements with foreign countries or instrumentalities thereof
23 to provide for orderly trade in flat glass under such quanti-
24 tative limitations and other customs treatment as shall pre-
25 vent disruption of flat glass markets in the United States

4

1 and assure access to such markets for both domestically
2 produced and foreign produced flat glass on a fair and
3 equitable basis. Notwithstanding the provisions of sections
4 one and two of this Act, the President by proclamation may
5 increase, decrease, or otherwise limit the quantity of flat
6 glass products which may be entered, or withdrawn from
7 warehouse, for consumption and modify existing customs
8 treatment of such products from foreign countries or instru-
9 mentalities thereof which are parties to such trade agree-
10 ments, as he determines to be required or appropriate to
11 carry out any such trade agreement.
12 SEC. 5. All determinations by the President and the
13 Secretary of Commerce under this Act shall be final.

The CHAIRMAN. Next we will hear from Mr. James Ashley, vice president, Libbey-Owens-Ford Glass Co.

STATEMENT OF JAMES M. ASHLEY, VICE PRESIDENT, LIBBEY-OWENS-FORD GLASS CO.; ACCOMPANIED BY EUGENE STEWART, COUNSEL

Mr. ASHLEY. I am joined by Mr. Eugene Stewart, who is counsel for the flat glass industry.

The CHAIRMAN. We are pleased to have you here. It seems like old times.

I will be pleased to have you bring us up to date.

Mr. ASHLEY. You have been very patient in the past, Senator; you are exceedingly patient tonight. The hour is late and we have tailored our statement within the time limit allowed us.

The CHAIRMAN. We will put the entire statement in the record.

Mr. ASHLEY. I am James M. Ashley, vice president, Libbey-Owens-Ford Glass Co. I appear on behalf of the domestic flat glass industry, specifically the companies whose names are set forth on exhibit 1 to this statement.

For 7 years the damaging impact of excessive imports on the domestic flat glass industry an its workers has been an occasion for deep concern and study by the U.S. Government.

In an unusual action, the Tariff Commission on its own motion initiated an escape clause investigation of the impact of imports on the sheet glass segment of the industry in November 1960. The result was that Preident Kennedy proclaimed increased rates of duty effective June 17, 1962. On January 11, 1967, duties on thin and heavy sheet glass were reduced to their pre-1962 level, while partially reduced escape clause rates continue to apply to single and double strength sheet glass.

On October 11, 1967, President Johnson, on the basis of the national interest, extended the modified escape clause rates of duty applicable to single and double strength sheet glass until January 1, 1970. In taking this action, President Johnson declared:

> The United States, like all trading nations, must be willing to buy the products of other countries if we expect them to buy ours. So we are keenly aware of the importance of expanding trade. At the same time, we—like other nations—maintain a fair and just concern for the well-being of those industries and their employees who suffer unusual hardship from imports.

In 7 years the Tariff Commission has issued five reports concerning the effect of imports on sheet glass on the domestic industry. The President and his advisers in the executive branch of the Government have considered each of these reports.

The culmination of this long and exhaustive study is the President's declaration, to which I have just referred, that "a fair and just concern for the well-being of [the sheet glass industry] and [its] employees who suffer unusual hardships from imports" justifies protective measures. However much we are grateful and appreciative of the President's action, and we are grateful, shipments of sheet glass account for only 20 percent of this industry's business. The other sectors of the industry are no less seriously affected by imports.

Notwithstanding 7 years of continuous governmental attention, the flat glass import problem is unsolved. Flat glass imports have resumed their swift upward growth. The remaining escape clause duties on sheet glass are themselves threatened with termination in 2 years.

Though this fact has not motivated our support for quota legislation, it is worth noting that U.S. negotiators agreed to reduce duties on rolled glass and plate glass by 50 percent at Geneva despite the heavy and growing importation of these products under prevailing duties.

At this late hour the industry faces the prospect that within 2 years the task force (appointed within the executive branch "to search for alternate employment and to take other steps which will work out long-term solutions to the problems created by job dislocation" in the flat glass industry) may recommend the termination of the remaining escape clause rates and the abandonment of our employees and our industry to the doubtful, fanciful, and community-disruptive process known in theory but not in practice as "adjustment assistance."

The experience of the flat glass industry during these past 7 years demonstrates that American industry must turn to the Congress for positive law to secure fair and flexible regulation of imports so as to permit both foreign and domestic products to share in the future growth of the American market.

The basic economic data pertinent to our testimony are set forth in exhibit 2 to this testimony. Let me summarize here the highlights.

Four reference points in time are important in a consideration of the trends within the industry during the past 10 years:

1. The average of 1958–60 as a base period:
2. The year 1962 in which on June 17 President Kennedy placed into effect increased tariffs on sheet glass;
3. The year 1965, representing the peak of the industry's recovery with the benefit of the tariff increase; and
4. The year 1967, in which on January 11 President Johnson terminated the increased tariffs on all but single and double strength window glass.

I would ask you to follow with me the highlights of the following summary table in which key economic facts are presented in relation to these four time periods.

I think you will find the column to the far right the most expressive of what I am saying. Our shipments in total as between 1967 and 1965 have fallen by 13.4 percent. Our shipments of sheet glass are down 17.1 percent; our shipments of plate, rolled and flat glass are down 10.9 percent; our laminated and tempered shipments are down 13.4 percent.

Our employment is down 6½ percent. Average weekly hours of production work are down 4 percent: our average hourly earnings of production work are up 3.1 percent, but this compares with 8 percent for all other industries.

Our domestic market is down 11.7 percent, but imports are up 24.5 percent.

Our exports, you will note, show a thumping increase of 41 percent. I would like to call your attention to the fact that the bulk of the increase is influenced by the Canadian automobile agreements and the resulting increase of exports of one domestic glass manufacturer to its own Canadian glass fabricating plant.

The Tariff Commission determined that the profits on the sheet glass portion of our industry had declined 43.8 percent. We have no comparable figure for all flat glass. Gross earnings, as shown in the footnote to table 1, calculated as sales less payroll and materials purchases before payment of overhead, depreciation and taxes, declined 11.3 percent.

(Table 1 referred to follows:)

TABLE 1.—ECONOMIC TRENDS IN THE U.S. FLAT GLASS INDUSTRY

[Dollar amounts in millions]

	Average, 1958-60	Tariff increase, 1962	Peak year 1965	Tariff reduction, 1967 (annual rate)	Percent change 1958-60 to 1967	Percent change 1965 to 1967
Value of shipments, all flat glass	$490.6	$480.6	$676.4	$585.9	+19.4	−13.4
Sheet glass	111.1	126.4	140.6	116.5	+4.9	−17.1
Plate, float, rolled and wire glass	157.1	158.5	213.7	190.4	+21.2	−10.9
Laminated, specially tempered and other flat glass	222.4	204.7	322.1	279.0	+25.4	−13.4
Employment (in thousands)	32.2	30.4	32.3	30.2	−6.2	−6.5
Average weekly hours, production workers	40.1	38.3	42.5	40.8	+1.7	−4.0
Average hourly earnings, production workers	$3.09	$3.29	$3.52	$3.63	+17.5	+3.1
Average hourly earnings, all manufacturing	$2.19	$2.39	$2.61	$2.82	+28.8	+8.0
Domestic market	$538.6	$542.9	$720.6	$636.6	+18.2	−11.7
Imports, f.o.b. U.S. port	63.4	70.6	69.4	86.4	+36.3	+24.5
Exports, f.o.b. mill	15.5	18.3	25.2	35.7	+130.3	+41.7
Of which, Canada	10.1	12.0	15.8	23.6	+133.7	+49.4
Imports as a percent of domestic market	11.8	13.0	9.6	13.6	+15.3	+41.7
Earnings performance:						
Net profit after taxes as a percent of sales (sheet glass)	4.9	1.1	4.8	[1] 2.7	−44.9	−43.8
Gross earnings,[2] all flat glass, as a percent of sales	35.8	31.1	38.1	33.8	−5.6	−11.3

[1] 1966.

[2] Sales less payroll and materials purchases, before payment of overhead, depreciation, and taxes.

Mr. ASHLEY. A point of major importance in this table is that while domestic shipments of flat glass declined sharply in 1967 compared with 1965, imports moved in the opposite direction, increasing sharply by 25 percent.

A second major point is that the import penetration of the domestic market in 1967 is at an annual rate of 13.6 percent, a ratio higher than that which existed in the year in which President Kennedy acted to curb import injury by increasing tariffs on sheet glass.

A third major point is concerned with the impact of these events on our employees. The industry has 30,000 workers in 53 plants in 11 States. Their rate of compensation is far above that of workers in the average of all manufacturing industries, as table 1 above dramatically shows. The sharply increased volume of imports which rushed into the contracting domestic market in 1967 resulted in an absolute decline in employment, a reduction in the earnings of our workers who were kept on the job through a shortened workweek, and a wage adjustment lower than that accorded to workers in the average of all manufacturing industries.

The industry, then, in 1967, shows the classic hallmarks of injury which characterized its position in 1962, but now more gravely so

since the appointment of the task force to find the means for retraining and relocation of the workers of our industry presents us with the possibility that the flat glass industry will in 2 years' time be abandoned to the destructive competition of low-wage foreign producers.

Mr. Chairman, in these circumstances this industry must, in an exercise of prudence and a discharge of its responsibilities to its employees, seek positive action through legislation to assure it of access on a fair basis to the American flat glass market over the long term.

Your committee is thoroughly familiar with the reference points for injury to domestic industries and employment expressed in terms of the penetration of the U.S. market by imports:

1. In cotton textiles, imports accounted for 5.2 percent of domestic consumption when the Kennedy administration energetically brought about the successful negotiation of the cotton textile quota arrangements.

2. Imports of residual fuel oil were equal to 10 percent of domestic production when President Eisenhower proclaimed mandatory import quotas on fuel oil in 1958. Under the leadership of the chairman and a host of his colleagues in this and the other body, determined efforts are being made through more positive regulation to hold imports at the level of 12.2 percent of domestic production.

3. Imports of other textiles taken in conjunction with the presently regulated cotton textiles are understood to account for about 10 percent of domestic consumption, and the overwhelming judgment of the Members of the Senate, with 68 sponsors on Senator Hollings' textile import quota bill, and nearly 200 Members of the House of Representatives as sponsors of the Mills-Landrum-Dorn textile import quota bills, constitutes a ringing affirmation of the fact that 10 percent penetration by imports is regarded as intolerable for the future welfare of the domestic industry and its workers.

The CHAIRMAN. What percent is it in the case of your industry?

Mr. ASHLEY. 13.6.

The CHAIRMAN. I really do not think anyone has any right to complain if his exports exceed his imports. So I think you have to say imports minus exports are what percent of your market?

Mr. ASHLEY. That is the way we have calculated it, and it is on the 13.6-percent basis.

The CHAIRMAN. 13.6?

Mr. ASHLEY. Yes, sir.

Demonstrably, action is required in other areas to which I have referred, oil, cotton textiles, and so on.

It is no less required in flat glass.

Indeed, the current ratio of imports to domestic consumption in the flat glass market of 13.6 percent is the highest level achieved by imports in the 10-year history of the flat glass import problem. But this ratio is derived through the use of the landed value of imports in relation to domestic shipments. The use of foreign prices in such a calculation significantly understates the extent of the import penetration calculated on a quantity basis in the major sectors of the flat glass market is as follows (see exhibit 3 data):

1. In 1965, imports of sheet glass in square feet were equivalent to 30.5 percent of domestic shipments, and this penetration ratio has risen even higher to 34.8 percent in 1967.

2. In 1965, imports of plate and flat glass were equivalent to 7.9 percent of domestic shipments, and this penetration ratio has risen even higher to 13 percent in 1967.

3. In 1965, imports of cast or rought rolled glass were equivalent to 45 percent of domestic shipments, and this penetration ratio has continued above the 40 percent mark (at 41.5 percent) in 1967.

Mr. Chairman, we believe the flat glass industry is a progressive industry with a rightful place in the American economy. We pay our workers well. We have boosted our capital expenditures nearly 60 percent, 1965 compared with the base period 1958-60. Our productivity as measured by value added per production worker has risen by more than 30 percent.

The high and rising level of imports in the domestic market has contributed to a decline in earnings which will handicap our industry in accumulating earnings for intensified research, development, and capital expenditures. Thus far our investors have made funds available for these purposes with the confidence that our Government would not allow a basic industry to be destroyed by low-wage imports.

Mr. Chairman, you and the members of your committee are to be commended for your courage and foresight in scheduling these hearings and, I might add, your patience, on pending quota bills and giving it your close attention to the need for a flexible system of import quotas for flat glass and other basic commodities which will insure future growth and participation in the American market to both domestic and foreign producers.

As you know, Senator Randolph has introduced a bill, S. 2554, with a number of cosponsors which would create a very flexible import quota system for flat glass.

Under this bill, imports of flat glass would be subjected to a base period quota which is equivalent to the average annual imports for the period 1965-67. If you will refer to exhibit 3 to my testimony, you will notice that the annual average if imports in the three principal types of flat glass during the 1965-67 period is considerably above the annual rate of imports during the year 1967 for both sheet glass and cast or rough rolled glass, and considerably above the year 1965 and roughly equal to the year 1966 in plate or float glass.

Consequently, under this flat glass quota bill import interests would be assured of access to the U.S. market on the present basis for a volume of goods which is greater than that currently being imported. Thus, importers would not be subjected to a rollback.

In addition, the flat glass import bill would assure import interests of an increase in the annual quota in proportion to the future growth in the American market. The bill contains several provisions which are designed to give flexibility to the system so that hardships can be absolutely avoided. The Secretary of Commerce would allocate the global quota among supplying countries on a historical basis, and within each country quota, by category of product (for example, a practical basis for the definition of categories under the bill is suggested by the types and classes of flat glass product identified in Interim Federal Specification DD-G-00451b). The President would be authorized by the bill to negotiate trade agreements with countries supplying flat glass to the United States for the liberalization of the quotas beyond the limits otherwise provided for in the bill.

Hence, the bill provides assurance to import interests that their business will not be adversely affected: the base period quota is consistent with the current level of imports, and the flexibility provisions in the bill provide assurance against hardships if special situations develop which require adjustment.

Mr. Chairman, from the point of view of the domestic industry, the bill, S. 2554, has the virtue of proposing congressional regulation of foreign commerce in flat glass under a more positive system than now exists under our reduced tariffs on flat glass for an orderly increase in imports. It also grants greater assurance than is possible under the present system that the U.S. flat glass industry will be afforded an opportunity to share equitably in the future growth of the American flat glass market.

We most earnestly request on behalf of our workers, our shareholders, and our managements that you favorably report this proposed legislation, and that flat glass be included within the scope of the remedy which the members of this committee in their wisdom elect to fashion to meet these commodity import problems which have grown to such dimensions that no other solution than through the use of quotas seems possible.

Thank you, Mr. Chairman.

(The attachments to Mr. Ashley's statement follow:)

EXHIBIT 1

U. S. PRODUCERS OF FLAT GLASS

American Saint Gobain Corporation, Kingsport, Tennessee
Fourco Glass Company, Clarksburg, West Virginia
Libbey-Owens-Ford Glass Company, Toledo, Ohio
Mississippi Glass Company, St. Louis, Missouri
Pittsburgh Plate Glass Company, Pittsburgh, Pennsylvania

FLAT GLASS PLANTS

Arkansas: Fort Smith
California:
- Fresno
- Fullerton
- Lathrop

Illinois:
- Decatur
- Ottawa

Louisiana: Shreveport
Maryland: Cumberland
Missouri:
- Crystal City
- St. Louis

Ohio:
- Mt. Vernon
- Rossford
- Toledo

Oklahoma:
- Henryetta
- Okmulgee

Pennsylvania:
- Arnold
- Creighton
- Floreffe
- Ford City
- Jeannette

Tennessee: Kingsport
West Virginia:
- Charleston
- Clarksburg

[Dollar amounts in millions]

	Average, 1958–60	1961	1962 (tariff increase June 17, 1962)	1963	1964	1965 (peak year)	1966	1967 (annual rate) (tariff increase terminated in part on Jan. 11, 1967)	Percent change— Average 1958–60 to 1967	Percent change— 1965 to 1967
Value of shipments, flat glass industry [1] (S.I.C. 3211)	$490.6	$448.4	$480.6	$549.3	$569.4	$676.4	$655.1	$585.9	+19.4	−13.4
Sheet glass [2]	111.1	111.0	126.4	141.5	144.8	140.6	138.6	116.5	+4.9	−17.1
Plate, float, rolled and wire glass [3]	157.1	149.5	150.5	175.8	180.2	213.7	206.4	190.4	+21.2	−10.9
Laminated, specially tempered, and other flat glass (not including products of establishments using purchased glass as raw material) [4]	222.4	187.9	204.7	232.0	244.4	322.1	310.1	279.0	+25.4	−13.4
Output, flat glass industry (1957–59=100) [5]	102.8	104.2	113.0	120.5	137.0	151.2	167.2	[6] 150.4	....	....
Wholesale price index (1957–59=100) [7]	99.3	96.8	97.0	98.3	102.4	100.9	100.7	[6] 104.5	....	....
Net profit after taxes as percent of sales:										
Sheet glass [8]	4.9	.3	1.1	4.1	6.5	4.8	2.7	....	....	....
All manufacturing [9]	4.5	4.3	4.5	4.7	5.2	5.6	5.6	5.1	....	....
Gross earnings (sales less payroll and materials purchases, before payment of overhead, depreciation, and taxes) as percent of sales: Sheet glass [10]	35.8	30.8	31.1	35.0	35.8	38.1	36.4	33.8	−5.6	−11.3
Employment (in thousands) [11]	32.2	29.9	30.4	30.5	30.8	32.3	32.8	[6] 30.2	−6.2	−6.5
Average weekly hours, production workers [11]	40.1	38.7	38.3	40.0	41.9	42.5	42.6	[6] 40.8	+1.7	−4.0
Average hourly earnings, production workers [11]	$3.09	$3.17	$3.29	$3.38	$3.44	$3.52	$3.60	[6] $3.63	+17.5	+3.1
Average hourly earnings, all manufacturing [11]	2.19	2.32	2.39	2.46	2.53	2.61	2.71	2.82	+28.8	+8.0
Domestic market [12]	538.6	496.4	542.9	591.3	620.3	720.6	679.4	636.6	+18.2	−11.7
Imports, f.o.b. U.S. port [13]	63.4	63.6	70.6	62.5	76.1	60.4	56.7	86.4	+36.3	+24.5
Exports, f.o.b. mill [14]	15.5	15.6	18.3	20.6	25.2	25.2	32.4	35.7	+130.3	+41.7
Imports as a percent of domestic market [15]	11.8	12.8	13.0	10.6	12.3	9.6	8.3	13.6	+15.3	+41.7

SOURCES

[1] U.S. Department of Commerce, Bureau of the Census, Census of Manufactures, 1958, 1963, and Annual Survey of Manufactures, 1960–65.

[2] U.S. Department of Commerce, Bureau of the Census, "Facts for Industry" series, BDSAF-375; Current Industrial Reports, series BDSAF-375, M32A.

[3] Ibid.

[4] Value of shipments, flat-glass industry less total of shipments of sheet glass and plate, float, rolled and wir glass.

[5] Federal Reserve Board, index of industrial production.

[6] July 1967.

[7] U.S. Department of Labor, Bureau of Labor Statistics, Wholesale Price Index.

[8] 1958–59, U.S. Tariff Commission Publication 158, June 1965, table 12, adjusted for Federal tax at 52 percent; 1961–66, U.S. Tariff Commission Publication 215, September 1967, table 12, adjusted for Federal tax at 48 percent.

[9] FTC–SEC, "Quarterly Financial Report for Manufacturing Corporations."

[10] See methodology note.

[11] U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings Statistics of the United States."

[12] Value of shipments plus imports (f.o.b. U.S. port basis); exports (f.o.b. mill basis).

[13] U.S. Department of Commerce, Bureau of the Census; import data adjusted to add ocean freight and insurance at 19 percent per U.S. Tariff Commission publication Feb. 7, 1967, "C.i.f. Value of Imports"; and to add import duties as calculated by U.S. Department of Commerce, "U.S. Commodity Exports-Imports As Related to Output, 1964 and 1963" and earlier issues, 1958–64, and at the 196 ratio of duties to import value (25.4 percent) for 1965 and 1966. For 1967 duties calculated at 18. percent as per U.S. Department of Commerce, IM–146 for flat glass (group 503–B), first 7 month 1967.

[14] U.S. Department of Commerce, Bureau of the Census; export data adjusted from f.a.s. to f.o.b. by factor of 10 percent for inland freight, mill to port.

[15] Imports, f.o.b. U.S. port, divided by domestic market.

METHODOLOGY NOTE

Value of shipments (first line) for industry SIC 3211 for 1966 and 1967 derived by projecting 1965 data by percent change 1965–66 and 1966–67 in value of shipments of flat glass as reported in sources cited note 2 above.

Gross earnings for 1966 and 1967 derived by projecting value added by manufacture for 1965, as reported in Annual Survey of Manufactures for 1965, against the percent change in value of shipments, 1965–66, and 1966–67 (VA 1966=$448,600,000; 1967=$401,000,000), and subtracting total payroll from value added. Total payroll for 1966 and 1967 derived by projecting 1965 payroll per Annual Survey of Manufactures for 1965 against the percent change in average hourly earnings and average weekly hours for industry SIC 3211 as reported in source cited note 10 above (payroll 1966=$210,300,000; 1967=$203,100,000). Gross earnings=value added (sales-cost of materials) less total payroll. (Gross earnings 1966=$238,300,000; 1967=$197,900,000).

The committee subsequently received the following letter from Mr. Eugene L. Stewart, counsel, U.S. Flat Glass Industry, correcting certain errors in the preceding table.

WASHINGTON, D.C.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: As counsel for the U.S. flat glass industry and the person responsible for the statistical data which were presented on behalf of that industry by Mr. James M. Ashley in testimony before the Committee on October 20, 1967, I desire to correct an error which has been discovered in two of the key statistics submitted to the Committee.

Mr. Ashley's prepared statement included Exhibit 2 presenting basic economic data for the U.S. flat glass industry, 1958–1967. For the year 1966 the domestic market and import data require revision, as follows:

	As submitted to the committee	As revised
Domestic market (millions)	$679.4	$708.1
Imports, f.a.b., U.S. port (millions)	$56.7	$83.4
Imports as a percent of domestic market	8.3	11.8

As you will observe, the correct data show a higher import penetration ratio for the year 1966 than indicated in Exhibit 2 as submitted. This higher rate is significant because for the years 1965, 1966, and 1967 there is a steady rise in the percent of the domestic market accounted for by imports, as follows:

Imports of flat glass as a percent of the domestic market

	Percent
1965	9.6
1966	11.8
1967 (annual rate)	13.6

Respectfully submitted.

EUGENE L. STEWART,
Counsel, U.S. Flat Glass Industry.

EXHIBIT 3.—RATIO OF U.S. IMPORTS TO U.S. SHIPMENTS OF FLAT GLASS, BY PRINCIPAL CATEGORIES

[In thousands of square feet]

	1965	1966	1967 (annual rate)[1]	Average 1965–67
Cast or rough rolled glass:				
Imports	27,843	29,540	21,339	26,240
Domestic shipments[2]	61,800	62,374	51,208	58,464
Ratio of imports to domestic shipments (percent)	45.0	47.4	41.5	44.9
Plate or float glass:				
Imports	42,974	56,073	62,665	53,904
Domestic shipments[3]	543,743	520,168	481,052	514,988
Ratio of imports to domestic shipments (percent)	7.9	10.8	13.0	10.5
Sheet glass:				
Imports[4]	366,658	396,519	332,414	365,197
Domestic shipments	1,203,900	1,146,500	955,500	1,102,167
Ratio of imports to domestic shipments (percent)	30.5	34.6	34.8	33.1

[1] Based on 1st 6 months.
[2] Includes plate and float glass over ¼ inch in thickness.
[3] Excluding products covered by note 2.
[4] Import data in pounds converted to square feet at 0.8620680 square foot/pound.

Source: U.S. Department of Commerce.

The CHAIRMAN. Thank you very much. I see you have a real problem here. One of these days we are going to have to think in terms of an answer to the question.

But the question is are we to adopt trade policies so as to permit an important major American industry to be driven from a major American market, that is what we are talking about, is it not?

Mr. ASHLEY. That is correct, Mr. Chairman.

The CHAIRMAN. That is the thing that most concerns you, is it not?

Mr. ASHLEY. Yes.

The CHAIRMAN. You are in prospect of being told, "Well, it is just too bad, old man. We like you, you are a nice fellow, but somebody must take the long walk over to the electric chair, and it seems you are it."

You just do not want to be that one. I take it you are not asking for anything that you would not be willing to accord the other fellow in a parallel situation?

Mr. ASHLEY. No, Mr. Chairman. I am not asking for anything on behalf of our industry that I do not believe in as an American should apply to all American industries.

I think one of the reasons why we have a strong economy is the purchasing power of the very people on whose behalf I speak. I think if we go back to competitive wages, competitive with Europe or Asia, where will this fine market go, and who will be this consumer that everybody is talking about, as if he were a person, a disenchanted person, who does not earn his living anywhere.

I mean, there are a few people who are in that fortunate position. But most of us have to work for a living, and we depend on our wages to get it.

The CHAIRMAN. Yes. Thank you very much, sir.

Mr. ASHLEY. I might point out, Senator, although many of the witnesses here had no industry in your State, that is not true of flat glass.

The CHAIRMAN. I am very well aware of that.

(Following are communications received by the committee expressing an interest in the preceding subject:)

LANCASTER COLONY CORP.,
Columbus, Ohio.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, New Senate Office Building, Washington, D.C.

HONORABLE SIR: As President of Lancaster Colony Corporation, which is the parent of Indiana Glass Company, I should like to submit the following statement which I believe has the full support of our stockholders as well as the eleven hundred (1100) employees of Indiana Glass Company.

Indiana Glass Company is located in and is one of the two companies providing employment to the people of Dunkirk, Indiana. Dunkirk is not a large town, however, the people in and around Dunkirk enjoy living there.

We at Indiana Glass believe that stable employment and a fair living wage are two of the major prerequisites to a happy and stable nation.

Our ability to contribute to the above is dependent upon many factors, all of which packaged together might well constitute what I would like to call a healthy business climate. That climate would include a healthy atmosphere for sales, profit and expansion. Without the first two, the company's ability to attract investment capital for expansion would be virtually nil. Without profits there can, of course, be no wage increases, and ultimately continued reductions in profits lead to cost reductions which, in turn, often lead to unemployment.

We at Indiana do not oppose for others what we would like for ourselves, and certainly believe in a competitive system. We believe, however, that competition must be fair.

Generally, we compete at the national level here in the United States with domestic products which are subject to at least similar problems and costs that are at least comparable.

When we compete with foreign products, however, we find that while labor costs, for instance, are rising, there is no comparable basis for finding that competition exists.

A perfect example of this comes to us in the form of a report by Robert Evans, Jr., Associate Professor of Economics at Brandeis University[1] which he calls "Shunto: Japanese Labor's Spring Wage Offensive". Among other things, the article notes that for the past thirteen years the two principal labor federations, Sokyo and Chitritsuroren, have engaged in a lively offensive, devoted to a policy which emphasized economic benefits for its members rather than one with political motives. What is important from our standpoint about the report is the factual information concerning the actual wage gains for the Japanese employee resulting from the "Shunto".

Since 1955, when the average monthly wage of middle school graduates (high school) was 4,966 yen, the average monthly rate of high school graduates rose until in 1966 it had reached the fabulous sum of 13,820 yen. This is growth over an eleven years period that begins to approach 300%. I can assure you that growth in the wages of the average high school graduate in the United States has not reached that level.

But, what is the value of a yen in United States dollars? A yen is worth $0.00277 or about 3/10 of a cent. Thus, the fabulous 13,820 yen per month average for Japan's middle school graduates amounts to ($13.89) thirteen dollars and eighty-nine cents.

The average factory worker in the United States, whatever his education, is in excess of thirty (30) times the above Japanese figure.

While I am happy to see the income of Japanese workers rise, there is no basis upon which competition for the sale of products, whose major cost element is Japanese labor, can be compared to products manufactured in the United States.

Indiana Glass is interested in table and art glassware which compose its largest group of products. In this area, Japanese imports to the United States rose about 30% between 1965 and 1966.

Our workers are keenly aware of the effect of overall imports in the handmade glassware field on work opportunities. These imports rose about 15% overall from 1965 to 1966 and the rise is continuing.

We at Indiana believe that these figures should be studied by your committee and used along with other import figures to review the United States Trade Policies, so that products manufactured in the United States are not at an unfair competitive disadvantage.

Very truly yours,

JOHN J. GERLACH,
President.

WASHINGTON, D.C.

CHAIRMAN, COMMITTEE ON FINANCE,
U.S. Senate, Washington, D.C.

DEAR SIR: The Committee on Finance has before it various proposals for legislation which would impose import quotas on a number of products. Recent press reports have indicated that flat glass is one of the products which the Committee is being urged to include in such legislation, and we have noted that the published witness list for this hearing includes a witness on this subject. We have also noted the introduction of S. 2554. Under these circumstances, we consider it appropriate to submit this letter to the Committee, with the request that it be included in the printed hearings. While we represent foreign producers of flat glass, we assume it is proper for us to make our views known since the issues in this hearing are so important that they transcend national boundaries.

In our judgment, flat glass would be a particularly inappropriate subject for import quotas, for at least two basic reasons:

1. You indicated in your opening statement that the purpose of this hearing is to consider solutions for existing problems for many industries and workers in this country which have arisen "due to sharp increases in imports." Given this purpose, flat glass has no place on the Committee's list.

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[1] See *Monthly Labor Review,* Volume 90, Number 10 at pages 23-28, October 1967.

Flat glass is *not* an industry which has had a general experience of "sharp increases in imports" in recent years.

2. If the domestic producers of flat glass are in fact threatened by increased imports, they have available the established procedures of Title III of the Trade Expansion Act through which to seek restrictions on imports and other forms of assistance. They are familiar with these procedures because, in the case of sheet glass (which accounts for four-fifths of all flat glass imports), they have been making effective use of these procedures ever since the Act was passed.

FLAT GLASS PRODUCERS ARE NOT THREATENED BY INCREASED IMPORTS

We know of no segment of the flat glass industry which is struggling with a problem of injury caused or threatened by increased imports. Foreign producers have always supplied a significant portion of the various types of flat glass consumed in the United States, and this has been particularly true since the 1957-1958 period when strikes in the domestic industry forced domestic consumers of flat glass to turn to foreign sources of supply. In the case of sheet glass, domestic producers have regularly supplied 75 to 80 percent of the domestic market with imports supplying 20 to 25 percent. The share of the market supplied by imports at concession rates of duty has been somewhat smaller, varying between a high of 23.6 percent in 1959 and a low of 19.3 percent in 1963. In terms of the number of pounds consumed, both domestic shipments and imports have increased in years when demand for sheet glass has been strong and decreased when demand has fallen off (as was true in late 1966 and early 1967 when the construction industry was depressed).

There is, we submit, no factual foundation for an assertion that quota restrictions must be imposed on imports of sheet glass because of any striking increase in those imports in recent years.

ALTERNATIVE FORMS OF ASSISTANCE ARE AVAILABLE TO DOMESTIC PRODUCERS

The principal producers of flat glass are strong, healthy companies. In the most recent study of conditions in the sheet glass industry which was completed by the Tariff Commission only six weeks ago, the Commission advised the President that, even if the remaining escape-clause duties on sheet glass which have been in effect since 1962 were terminated, "it is probable that a healthy, but changed, industry would continue to meet the largest portion of the domestic demand for sheet glass at a reasonable rate of profit on both sales and invested capital" (page 7). The Commission also noted that "The domestic industry's capacity to produce sheet glass has increased almost annually since 1955," and, in particular, that "The industry's aggregate capacity increased substantially in early 1967 . . ." (page 28).

Although the conclusions reached by the Tariff Commission in its report on sheet glass would have justified the termination of the remaining escape-clause duties, the President determined on October 11 that these increased rates would continue in effect until January 1, 1970. In addition, the President has taken steps to assure that companies in this industry will receive additional help if they need it. He has appointed a special Task Force to make a comprehensive study of the industry involved and "work out long-term solutions" to any problems it finds. It would be strange indeed if the Congress were now to take sudden independent action in a form which is not carefully designed to meet whatever specific problems may continue to exist and which ignores the criteria and procedures for handling such cases which Congress itself has prescribed in the provisions on tariff adjustment and other adjustment assistance in Title III of the Trade Expansion Act.

If it is the position of one or more domestic producers of sheet glass or any other flat glass product that additional protection is required because increased imports threaten serious injury to the domestic industry. Sections 301 and 302 of the Trade Expansion Act provide an orderly procedure by which such additional protection can be requested. No such request has been filed by any domestic flat glass producer relating to sheet glass or to any other product.

As Ambassador Roth advised the Committee in his prepared testimony, "the escape-clause provision of the Trade Expansion Act . . . has not yet been thoroughly tested." The same point can be made about the adjustment assistance provisions of that Act. In the Commission's September report to the President two members of the Commission expressed the opinion (at page 11) that "if imports [of sheet glass] do increase as a result in major part of trade-agreement

concessions, and if marginal firms or workers suffer serious injury as a result in major part of the increased imports, those firms and workers would be eligible for trade-adjustment relief." Moreover, we understand the Administration will soon propose to the Congress a liberalization of the adjustment assistance provisions.

In contrast to the existing procedures under the Trade Expansion Act, a system of quotas for flat glass would be both a crude and a complicated device. Flat glass is imported in many different forms and sizes from many different countries. In the Tariff Schedules of the United States there are no less than 25 categories of sheet glass alone. No matter how quotas for individual products were fixed. they would have to be allocated among the many countries from which flat glass is imported, and control would have to be established to keep particular importers from particular countries from getting more than their assigned shares. Either the quotas must be fixed on some inflexible basis, or a bureaucratic mechanism must be created to administer the flexibility. And the impact of all these restrictions will be felt not only by the foreign producers of flat glass but by the domestic importers and domestic consumers as well. There may be unusual situations in international trade—perhaps involving considerations of national security—in which the restrictive shackles of import quotas must be endured to should pay such a price only after the fullest deliberation and only if the need achieve some clear and urgent objective of national policy, but a free society is clear and no alternative is available.

For the foregoing reasons, we submit that it would be both unnecessary and unwise to attempt to apply to flat glass any system of import quotas.

Respectfully submitted.

COX, LANGFORD AND BROWN.

The CHAIRMAN. Our next witness will be Mr. O. R. Strackbein, chairman of the Nation-Wide Committee on Import-Export Policy.

It seems like old times to see you before the committee again, Mr. Strackbein. You have tried many times to explain the problem.

STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATIONWIDE COMMITTEE ON IMPORT-EXPORT POLICY

Mr. STRACKBEIN. Mr. Chairman, I am happy to appear once more before your committee. It is late in the day, and I have only a little over five pages of testimony here. I will try to go through that as rapidly as possible.

The CHAIRMAN. All right.

Mr. STRACKBEIN. I do want to say at the outset that the testimony up to now has been in support of particular quotas for particular industries. Nobody has spoken on the broad front, and I would like to address myself to that part of the subject.

I would like to talk a little about the quota as compared with the tariff as a means of regulating imports.

Import quotas as a means of regulating import competition have come into increasing favor in recent years for several reasons. One of these reasons arises from the inflexibility of the tariff under the most-favored-nation principle. This principle requires that the same tariff rate be applied to all countries, with only statutory exceptions, such as Communist countries.

The difficulty with the rule that requires one duty rate toward all countries lies in the difference in competitive levels of various countries. For this reason, apparent equality of treatment of different countries is in fact discriminatory even if it appears superficially to be equal.

Low-cost countries, such as some in the transpacific area, may be able to pay our duty with little difficulty while the rate may represent a real barrier to higher cost countries such as the European. Should the rate be increased to act as a brake on imports from the low-cost areas it would have the effect of an embargo against the higher cost countries, and would deliver our market to the countries of the lower wage standards.

This weakness of the tariff has become a stubborn problem, not only to this country but to others, and has lead to a preference for import quotas. This preference is destined to rise since the tariff has been reduced to a level so low that it is ineffective in many instances; and, of course, it is destined under the Kennedy round to go still lower. The rate generally will soon be too low to be effective in the regulation of import competition.

Yet the problem to which the tariff was addressed over the years remains with us. Therefore a substitute for the tariff is needed.

The import quota has the further advantage of avoiding discrimination among foreign countries while offering a flexibility that is lacking in the tariff under the most-favored-nation clause. It permits sharing the market with imports if the quota is specifically devised to allot to imports a predetermined percentage of the market. This might be 10, 15, 20 percent, or some other share that bears a relation to historical import levels. The base period may be an average of the import volume of recent years. Since imports have progressively captured a rising share of the domestic market in recent years, an import quota based on a period falling within the past 5 years would in most instances assure imports at or near record levels for the future. As our own market might increase in future years, imports would grow in proportion.

Thus import quotas may become an instrument of a liberal trade policy rather than being pressed into the service of a negative or restrictive policy.

The import quota, Mr. Chairman, as you know, has been condemned by the State Department as being the most restrictive of all instrumentalities of regulating import competition.

Actually, the import quota need not be a highly restrictive instrument. It might be an instrument of a liberal trade policy.

The import quota has other advantages that recommend it over the tariff. By sharing the market with imports at predetermined levels it removes from imports their most destructive effects. Among these are the uncertainty generated by rising imports with an unlimited potential, and the market disruption resulting from the uncertainty. Planning expansion and scheduling of production by the domestic industry is impeded because it is not known how high imports may rise. If it is known that they cannot go beyond a specified level, as when they are limited by a quota, forward planning of domestic production becomes possible. Confidence, which is necessary for business expansion, may prevail where fear of the threat and actuality of imports would dampen the inclination to proceed. Stagnation of domestic industrial activity, diversion of capital to foreign areas and importation of parts and components from abroad as a means of remaining competitive with imports, are the natural results of rising and virtually unimpeded imports, such as face numerous industries as a result of the Kennedy round.

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Import quotas would remove these depressing market factors. They would also mitigate some of the great pressure on industry to automate as a means of widening their lead in efficiency over their foreign competitors as the only hope of remaining competitive with imports. This needs a little explanation.

Displacement of workers by machinery, new processes and similar developments, offers the only means of reducing production costs significantly. Thus even though our output per man-hour may already be double that of our foreign competitors, reflecting greater efficiency by 2 to 1, a domestic industry may still find itself unable to compete with low-labor-cost imports. It must then reduce its cost to yet lower levels at the expense of labor or see its market shrink while imports prosper. The steel industry offers a good example. You heard the steel industry this afternoon. After displacing 75,000 workers since 1950 while producing 32.4 percent more steel, imports began rising and passing exports regardless of our considerable lead in output per man-hour. In other words, Mr. Chairman, the industry had displaced an insufficient number of workers to remain competitive. That is what it comes down to. Possibly some 200,000 additional jobs must be eliminated to achieve competitiveness with imports.

Import quotas will help to press fairness into import competition, and make it possible for domestic industry to hold its own while awarding to imports not only a fair share of our market, which is the richest in the world, but also participation in our growth, which in turn will be greater if imports are not allowed to despoil the domestic market.

Numerous industries suffer from the same or similar difficulty as steel vis-a-vis imports. Possibly all the industries testifying here besides steel, such as the dairy and meat industries, footwear, petroleum, glass, fruits and vegetables, and numerous others, face the same problem. While their productivity per man-hour or man-year exceeds that of all other countries, therefore reflecting superior efficiency, they still find the wage gap conferring a competitive advantage on the foreign producers. The only remedy then would be a further increase in output per man hour at the expense of employment.

If this process is extended far and wide over this country the effect will be a peril to the national economy and an aggravation of the poverty problem and urban congestion. If the protection afforded by liberal import quotas cannot be achieved, displacement of yet more workers as rapidly as possible will become mandatory as a means of survival. Meantime, capital shifts to other countries will continue as a means of hedging against destruction.

This is the outlook.

Mr. Chairman, it is sometimes not appreciated what is involved in reducing costs. It was said this afternoon, I think, that the labor costs of making steel were 40 percent. Well, actually the labor cost of making steel is probably 80 percent.

What is talked about here as the so-called steel industry, is only the upper quarter of the total industry; that is, only the steel mills.

Now, before steel production is started in the mills, there is the ore and coal which must be mined; plants must be built; transportation must be paid for, so that the amount of labor expended in the final process of production, according to the Bureau of Census—the census of manufactures—in the steel industry is only about 23 percent of the

total. In the case of steel or any other product, with the exception of such profits as are earned or interest as it paid, the rest goes for labor in one form or another; that is, employee compensation.

Now, they say that in the automobile industry, the labor cost is only some 15 percent. Well, that means in the final assembly plant. But, before you get there you have expended already some 60 or 70 cents out of a dollar on labor on the way up. This means that you cannot talk of increasing efficiency or of reducing costs without taking it out of labor. It is impossible because it just does not exist anywhere else unless you happen to have a monopoly condition in which profits are exhorbitant and then, of course, if you cut profits you will have some margin for reducing the production costs.

But when we talk about becoming competitive we are talking about displacement of labor as a means of becoming more efficient. We must not only, in some cases, be twice as efficient as our foreign competitors, but three or four times as efficient in order to be competitive.

The imposition of import quotas becomes imperative as the tariff is liquidated.

Contrary to the unsupported and frenzied public statements by Mr. William Roth, the President's Representative for Trade Negotiations, the establishment of import quotas would not put a damper on imports, nor reverse our export trends. Mr. Roth has reached below the truth for his adjectives and wild exaggerations. He has also confused nouns with adjectives. He described his $3.5 billion blow to our exports as a crude estimate. It was not an estimate. I say it was not an estimate, it was merely crude.

Now, it appears that he is not satisfied with the figure of $3½ billion, and this has been escalated up to about $10 billions, and I do not know where they get the figures.

If you look at all of these import quota bills and see how much of a cutback it would involve, I think you might find that it would run to, perhaps, $200 or $300 million, and that is far below even the $3.5 billion they are talking about.

By assuring other countries participation in the growth of this market at high levels, which all these import-quota proposals do, imports would not have an inflexible ceiling pressed down over them. Rather, they would be assured a growth as rapid as that of domestic consumption of particular products. Nor would the consumer pay more. With declining duty rates the price on imported goods could be reduced; or foreign exporters would enjoy an extra margin of profit. Underdeveloped countries would find such a development a windfall rather than an occasion for retaliation. Their share of exports to this country would be more secure than under the existing condition of competing with advanced countries in our market.

Certain antiquated notions about import quotas must be forgotten if this country is to meet its rising international economic and trade obligations without strangling its industry, while undermining both wage levels and employment. An enlightened public, freed from the Adam Smith philosophy of 1775, will understand the benefits of the import quota system.

The CHAIRMAN. Mr. Strackbein, you and I know that, if we put some quotas in effect, and we really want to do it, we can actually use those quotas to expand imports. All you have to do is tell these people, "This might be a mighty fine thing for you to do to ship this

into U.S. markets. We have some rice over here we want to sell. If you can find it in your heart to buy a substantial additional quantity of rice we will give you more tickets in our market than you would get otherwise."

Mr. STRACKBEIN. Right.

The CHAIRMAN. You do not have to assign them quotas on a historical basis flat out. You can use a little leverage and, frankly, a good trader would use some leverage.

You know just as well as I do that if you are handling it you would make quite a few deals with people to buy our product and get somebody else to buy our product.

Mr. STRACKBEIN. I am sure that is true.

There is one more point. As to the underdeveloped countries, I believe a quota system will give them a better break in this market than the tariff system because under the quota system they will have a share of this market. The duty rates can be reduced under a quota system without fear of having a flood, and that gives the exporter of raw materials and minerals to this country an extra margin on which to work. If we had a lower duty the amount that they send here could probably give them a better break than the tariff system itself does because they have a hard time competing with industrialized countries in our market.

Now, there are industries that applied to be heard but could not be given time. They are four members of the Nationwide Committee who have asked to be specifically identified, and I just merely want to mention the Cast Iron Soil Pipe Institute, the Florida Fruit & Vegetable Association, the Work Glove Institute, and the Florida Vegetable Canners Association.

They have asked me to mention them because they had asked to be heard, but they deferred on behalf of the time and so forth.

I thank you, Mr. Chairman, for your patience.

The CHAIRMAN. Where we have used quotas nobody is going to produce any evidence to show that we have hurt anybody.

You take sugar as an example. We have quotas on sugar.

Mr. STRACKBEIN. Yes.

The CHAIRMAN. Now, is it not a fact that those people we are buying sugar from actually make more money because we have quotas on sugar?

Mr. STRACKBEIN. Precisely.

The CHAIRMAN. We put the people in the sugar business and then we at one stage—we frankly said that it was not justified to have an American industry, let Cuba produce the sugar.

Then the war came along and the price of sugar went sky high, and when World War I was over they said that was too bad about the old sugar producer and to get rid of him. So they dropped him by the wayside.

World War II came along, and then you could not get the sugar you wanted, and they came screaming for the sugar. Then we came along and said that we should not ask these fellows to go in and out of business; Americans ought to have half the market. That did not hurt these foreign countries. If anything, it helped them get a fair price.

Mr. STRACKBEIN. Mostly the underdeveloped countries of Latin America, and we provided them a good market.

Now, in the case of oil, which is of interest to some members of this committee, the imports under the quota program have increased more

than $500 million. So there again it is an indication that these quotas need not be restrictive on imports.

As for retaliation, I do not know of any country that has retaliated under any of the quotas that we have had in the last 10 or 15 years. They do not——

The CHAIRMAN. Let us face it, Mr. Strackbein, aren't we doing for those countries better than they themselves would do for anybody else under a parallel situation?

Mr. STRACKBEIN. Well, I do not think there is any question about it, and they are not about to "retaliate" as it is called. They are not going to cut off their noses to spite their faces.

I cannot believe that trade will be cut back except, perhaps, where the trade is under governmental control. Where trade is in private hands, it would continue as before. We increased the duty on watches, for example. There were those who said Switzerland would retaliate by reducing her purchases of Maryland's tobacco. Well, our sales of Maryland tobacco to Switzerland kept on increasing.

That would have been asking the import merchants of tobacco in Switzerland to cut down their purchases here because their brothers in the watch industry had an increase in duty by the United States. Now, things just do not work out that way in private commerce.

The CHAIRMAN. You represent the Nationwide Committee on Import-Export Policy, and I think it would be nice if you would supply for the record who all your association is.

Mr. STRACKBEIN. I would be glad to do that. I have done that many times in the past, and I will be glad to do that.

(The information referred to follows:)

The Nationwide Committee on Import-Export Policy is a nonprofit membership organization.

Its membership is composed of individual companies, trade associations representative of industries, agricultural and labor organizations. The industries and products represented in the Committee are listed below. While in most instances the representation includes the predominant elements in the industries as represented by trade associations, in other instances the companies or groups represented do not speak for the industries as a whole but only for themselves. In a very few instances the representation of an industry is minor; i.e., only a company or two. In most instances the representation is major:

Almonds
Ball Bearings
Bicycles
Canning
Cast Iron Soil Pipe
Chains
Chemicals
Cycle Parts and Accessories
Confectionery
Copper
Engineering Materials and Equipment
Figs
Filberts
Fine China
Footwear
Fruits
Glassware
Hand Tools
Hardwood Plywood
Hats and Millinery
Industrial Sands
Insulation Board
Lead
Leather
Machinery
Man-made Fibers
Meat (cow meat, lamb, mutton)
Mirrors
Motorcycles
Mushroom
Needless
Nuts and Bolts
Plastics
Potatoes
Pottery
Scientific Apparatus
Screws
Steel (stainless and other)
Textiles (man-made, cotton, woolen)
Tile
Tools (hand and power)
Valves
Vegetables (tomatoes, cucumber, celery, etc.)
Wall Paper
Work Gloves
Wool
Zinc

The CHAIRMAN. Yes. You have been thinking about these matters for many years in a broad sense and not limited to one industry. What would you advocate our policy should be in the event that the United States should become a high-cost producer in most products?

There are a great number of items that provide for a broad sweep of the American economy, electronics, television, radio, automobiles, even farm machinery and petrochemicals, products made from petrochemicals, as well as oil, gas, many things where we already are being underpriced by others, iron, steel and so on. What kind of policy would you advocate that we adopt when we find that industry representing more than perhaps 50 percent of the American manufacturing, and employment is no longer the low-cost producer? What sort of policy do you think we ought to have on imports and exports?

Mr. STRACKBEIN. Well, I think that with the tariff disappearing, having been dismantled and being phased out, we have got to have a substitute for it because the problems that were here then are still here, and they have got to be met by some instrumentality, and I would say the import quota should be made available under prescribed circumstances to any industry that faces situations similar to those that have been testified to here.

The CHAIRMAN. I might just——

Mr. STRACKBEIN. I have been asked, in fact there would have been a request, for more industries to testify had they not looked to me to make a general statement in their behalf, and I would not be doing them justice if I did not say that they are entitled to the same treatment as the industries that have come here with specific import quotas. If they could not, through administrative channels, obtain a similar quota protection as these other industries under the same circumstances, this would be discriminatory.

The CHAIRMAN. You know that no step along the line in the so-called reciprocal trade business have we ever had anybody advocating such program come up and just frankly say that on behalf of the administration he advocates the liquidation of this industry or that one. Nobody has dared to say that he advocates the liquidation of the oil and gas industry, that he advocates the liquidation of the textile industry or the liquidation of the iron and steel industry or any major American industry, electronics. Nobody says it.

Mr. STRACKBEIN. No.

The CHAIRMAN. Yet they have the effrontery to come here and advocate the continuation of a policy which clearly means the liquidation of many of these industries.

Mr. STRACKBEIN. You are exactly right, Mr. Chairman.

The CHAIRMAN. If I were to vote somebody out of business, I would think that in good conscience I ought to vote to compensate him—just buy him out for whatever he has in it.

Mr. STRACKBEIN. Well, I certainly say so. But I do not think it would be right to vote him out of business in the first place. I think we should have conditions established which permit any decent, productive American industry to stay in business, and it will do so if it has the proper insulation against low foreign wages.

There is not an industry in the United States, I dare say, that is not more productive per man-hour or man-year than its counterpart

in any other country. The only advantage they have over us is the lower wage and the lower unit cost, and there is no getting away from that.

I know that the economists will say to the contrary, but we have too many examples of where these differences do persist.

Our merchant marine is one of the best examples in the world. It costs us twice as much to build ships and to operate ships in this country as our foreign competitors, and this is not hearsay. This is based on actual surveys made by the Department of Labor determining costs abroad and here.

So to say that all of these—that competition will level out all of these—competitive differences does not stand up. These differences persist.

The CHAIRMAN. I am confident that at least in large measure you are right about this. There might be some individual exception, I just do not know, but I have seen these examples.

For example, here is our Secretary of Transportation trying to buy American ships from Japan now by advocating that policy and fighting for it.

I was at Avondale recently, that is in New Orleans, and I discovered that Avondale Shipyard has efficient labor which welds together more metal per man-hour than anybody else, certainly more than any Japanese worker does, and those are good workers in Japan building ships.

Mr. STRACKBEIN. Yes.

The CHAIRMAN. The labor is more efficient at Avondale than it is in the Japanese yards. But, of course, it is paid a lot more than it is in the Japanese yards.

Mr. STRACKBEIN. Yes, that is right.

The CHAIRMAN. And that is really the only basis for costing a lot more for our ships.

Mr. STRACKBEIN. That is right.

The CHAIRMAN. Now, if our advocates of free trade had their way instead of a man from Vacherie, Louisiana, or Back Vacherie—front Vacherie was on the river and back Vacherie is back from the river—where they have those canefields, coming over to work at $3.50 an hour at Avondale, he would be staying at home. The fellow from Avondale, he would be working at Back Vacherie, and would be working not in a shipyard, but in a ricefield, so we would be trading them $3.50 jobs for $1 jobs.

Mr. STRACKBEIN. Precisely.

The CHAIRMAN. As far as this Senator is concerned, it would make better sense, if worst comes to worst, just to let them go ahead and produce their own rice and let our people produce ships rather than trade them.

Now, I cannot see much doubt about it that we are going to have to find an answer. We are talking about it, and after the administration gets through with all these screens that this will be terrible, they themselves will eventually come to grips with the situation and they will come up here after a great deal of additional injury has happened to Americans and say that something must be done, and that here is the President's recommendation to correct it.

I do not have any doubt that they will actually realize the same thing as we do.

As for the foreign aid program, there are certain simple principles that ought to be in it.

One, you should not be giving anybody your money to do something that he is fully capable of doing for himself. Eventually, gradually, we began to see the self-help proposition, at least pay lip-service to it.

Second, you should not be making a grant if a loan would do the job just as well, and it should not be a soft loan if a hard loan could be obtained.

Mr. STRACKBEIN. Quite right, Mr. Chairman.

The American consumer likes a bargain, Mr. Chairman. But they do not like to work for bargain wages or bargain salaries or discount prices for their own services, but they like bargains. You and I like bargains, we all like bargains. But they do not stop to think that many of these bargains that are available in imported goods come from the fact that some other people do work at bargain wages that our own working people would not work for.

The CHAIRMAN. Well, the poor devils working for a dollar an hour, at least they can entertain the hope that some day they might be able to get a good job.

It is a cinch he is not going to get that if you let them abolish the good jobs.

Mr. STRACKBEIN. Right.

The CHAIRMAN. Would it appear to you that this thing of complete free trade, complete free flow of American capital and everybody else's capital everywhere else in the world, as some economic purist would advocate, would necessarily force a reduction of American living standards?

Mr. STRACKBEIN. I think it not only would do that, it would completely disrupt this economy. I think we would fall in a shambles.

If this economy and that of other countries had grown up under conditions of free trade that would be one thing. But we have not grown up under conditions of free trade. The world has never had free trade, never, not even England in its palmiest days when it imported raw material free of duty and then shipped abroad the manufactured products. It was the manufacturer for the world, but even England is not free trade.

In fact, as you know, they had to protect themselves as they found a few years ago overnight, when they put on a 15-percent tariff on nearly all items. They asked no questions about it. They did it because they felt they had to protect their economy, their balance-of-payments position, and that is what these other countries do.

But, the United States could no more go to free trade today and survive than you can have tanks of water at different levels, a big one up here, and a lot of others down here. If you open the valve up here, you drain all the water from the top one, and the others come up just a little bit.

The United States is on an economic plateau. We have not had free trade, we have had interferences with the free market, so that the so-called principles of free trade do not work. They are not allowed to work anywhere, and if we do it we will just be undressing ourselves before the whole world and we will get the consequences.

The CHAIRMAN. It would be a matter of going out naked and unarmed to take on a pack of wolves, in effect.

Mr. STRACKBEIN. You have been very patient, Mr. Chairman.

The CHAIRMAN. Thank you so much, Mr. Strackbein.

(There follows, a letter to the chairman from Mr. Strackbein:)

THE NATION-WIDE COMMITTEE
OF INDUSTRY, AGRICULTURE AND LABOR
ON IMPORT-EXPORT POLICY,
Washington, D.C.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. LONG: I have been asked by the Florida Vegetable Canners Association, in lieu of their appearing before your Committee during the hearings of October 18-20, 1967, to express their concern about imports of canned vegetables.

In a letter of October 16, they said in part:

"As you know, canned tomatoes did not fare as well in the Kennedy Round as the fresh product and even before the tariff reductions go into effect, we are running into competition with Italian canned tomatoes here in Florida.

"We feel that as the tariffs are reduced during the next three years, this competition will become keener and unless our domestic industry is given some considertaion, it is conceivable that the Florida tomato canning industry will be replaced by imports from other countries.

"I will be grateful if you will inform the Committee of this detrimental result of the Kennedy Round to our Florida Canners.

"Most sincerely,

"J. S. PETERS,
"*Secretary-Treasurer.*"

Sincerely,

O. R. STRACKBEIN,
Chairman.

The CHAIRMAN. Next we will hear from Mr. John W. Hight, executive director of the Committee for a National Trade Policy.

STATEMENT OF JOHN W. HIGHT, EXECUTIVE DIRECTOR, COMMITTEE FOR A NATIONAL TRADE POLICY; ACCOMPANIED BY DAVID J. STEINBERG, SECRETARY AND CHIEF ECONOMIST

Mr. HIGHT. Mr. Chairman, I listened very carefully to your colloquy with Mr. Strackbein whom I have known for many years.

I presume you know that we in our commitee disagree totally with his philosophy.

I will take—I will certainly limit myself to the 10 minutes I was assigned, and read my statement.

The CHAIRMAN. Well, Mr. Hight, whether I agree with you or not, I certainly will endeavor to treat you every bit as courteously as I did Mr. Strackbein or any other witness, whether I agree with him or not.

Mr. HIGHT. I have no doubt about it.

The CHAIRMAN. Generally speaking, may I say it has been my impression if you do not agree with some fellow and you are not going to vote with him, you ought to be more polite to him than you need to be to a man you are going to vote with, because the other fellow will forgive you when he sees you voting with him.

Mr. HIGHT. May I introduce Mr. David Steinberg of our committee as my colleague.

The CHAIRMAN. Sure.

Mr. HIGHT. My name is John W. Hight. I am the executive director of the Committee for a National Trade Policy. We have testified a number of times before your committee.

The CHAIRMAN. What I would like to do, I would like to have printed in the record the list of all the people of your association, because I know you have a very fine group.

Mr. HIGHT. Yes, indeed. Actually it is on the cover sheet of our statement. Those people represent the board of directors.

The CHAIRMAN. The telegram to which you make reference in your statement has already been made a part of the record.

Mr. HIGHT. It has?

The CHAIRMAN. Yes.

(The board of directors of the Committee for a National Trade Policy follows:)

COMMITTEE FOR A NATIONAL TRADE POLICY

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David J. Steinberg, Secretary & Chief Economist

Mr. HIGHT. I might merely say, Mr. Chairman, that we have many, many more people who regard themselves as members, but have no actual voice in the policy.

The CHAIRMAN. Right.

Mr. HIGHT. The board of directors makes the policy.

As it has always done since it was established in 1953, our committee today presents its views on trade policy only in terms of what we regard as the total interest of the Nation. In applying this standard, we take full account of the problems which individual States and industries (more accurately, certain sectors of some States and certain sectors of some industries) may have in an increasingly competitive world economy. We speak for no client and for no individual supporter or group of supporters of our committee. Financial support of our activities—a program of economic education on the side of freer world trade, which we see as the most enlightened direction in the field of trade policy—comes entirely from American sources, and almost entirely from business. We worked diligently for the Trade Expansion Act, for the Kennedy round of trade negotiations, and for the strongest U.S. negotiating position in those negotiations.

Last week we sent a telegram to each Member of the Senate, urging opposition to the steel import quota bill and every other legislative proposal to restrict imports. We have testified before other committees of the Senate in opposition to some of the bills which the Finance Committee is now considering.

We strongly oppose every import restriction bill now before you, specifically the dairy products bill before the Agriculture Committee and the lead and zinc bill. We shall strongly oppose every such bill that will come before your committee or any committee of the Congress. Some of these bills would restrict imports of specific products by one arithmetic formula or another. Others are of an omnibus nature, mentioning no specific products but establishing certain arithmetic standards for triggering import controls.

Our position should not be interpreted as meaning that in no instance would we regard import restriction as necessary, even if not desirable. We have said before, and we repeat now, that emergencies may arise for certain industries where temporary import restrictions—perhaps for a year or two—or negotiation of foreign export restrictions, may be necessary as a measure of last resort to buy additional time for a specific, already operational adjustment program to take effect. The need for such controls, however, should be left to the executive's discretion. None of the import restriction bills we have seen over the years, and none of the bills now before you, and we dare say none of the bills that will be proposed in the Senate or the House, satisfied or will satisfy these criteria.

The import restriction bills pending in the Senate and those in the House, including the bill the House recently passed amending the Fair Labor Standards Act, are bad economics and bad politics.

They are bad economics because they see in the wage gap between American standards and foreign standards a threat to the American competitive position.

Every responsible, objective, truly professional assessment of this issue should have taught the country by now that the gap between American labor standards and foreign labor standards is a natural and logical expression of the differences that will always exist in a dynamic, expanding world economy between the American economy and the economies of foreign countries. Nowhere are foreign wages equal to American, in any industry.

They are also bad economics because they reject the only economically sound answer to rising foreign competition; namely, the need to use every resource available—including Government help where certain criteria can be met—to adjust to these changes in the market. They are bad economics because they reject the time-honored and exhaustively documented maxim that trade is a two-way street and so is trade restriction.

They are bad economics for many other reasons, including the uncertainty they would tend to create around the world, and here at home, too, about the strength of the American economy and the American dollar. I think this is extremely important. The implications for the balance of payments are serious.

They are bad politics because (*a*) they tend to give the affected businesses, workers, and communities, and the American people in general, the erroneous impression that the Congress, in enacting such bills, gave enlightened, constructive attention, and was providing enlightened, construc ive answers, to the problems that beset American industry and labor in a rapidly changing world; (*b*) they would clearly indicate to the rest of the world that the Congress of the United States still does not understand the fundamentals of international economics and international cooperation, nor even the imperatives of sound economic growth and balance-of-payments policies, and would suggest that every country should take with a few grains of salt American declarations of dedication to freer trade and closer international cooperation.

Any of the bills to restrict imports of specific products would be ill advised and most unfortunate—a step toward unraveling the impressive gains the United States and other nations have made in liberalizing world trade. If all these bills were laid end to end—or encompassed in an omnibus bill—the result would negate much if not most of what we have done to liberalize world trade and the impressive gains we have made through such efforts for our enlightened self-interest. The result would not serve, it would indeed damage, the enlightened self-interest of the United States and every State in the Union. In short, these bills, if enacted, would be—and these are strong words—an exercise in irresponsibility. We expect much more from our legislators.

We expect them to concern themselves with the economic problems of their constituents, including problems of foreign competition. But we expect that concern to take the form of making sure—

(1) That such problems are accurately researched by the Tariff Commission and the executive agencies;

(2) That such Government remedies as may be necessary are consistent with the national interest and with our professed belief in the free enterprise system; and

(3) That Government remedies are truly constructive, designed to facilitate adjustment to rising competition from any quarter, and are both marginal and temporary.

We urge the Finance Committee and the Senate—in fact, the whole Congress—to apply such standards in assessing the import control bills now under review or those that will be proposed. We feel sure that if such standards are applied, these bills will be rejected as not only unwise but as dangers to the best interests of the country.

As I said, Mr. Chairman, we reject wholly the philosophy of Mr. Strackbein—his economic philosophy.

I daresay that he would not have the support of 2 or 3 percent of the professional economists in the country, for the views that he expresses.

The CHAIRMAN. If you would just permit me to ask you what your advice to this Senator would be.

Mr. HIGHT. Yes, sir.

The CHAIRMAN. I just made some inquiries—took a look to see how many jobs Louisiana has involved in the oil industry; 74,000 jobs in Louisiana. They are mostly good, high paying jobs.

That industry pays $75 million a year in State and local taxes to the State of Louisiana. It pays far more than any other industry for the support of the State revenues, almost entirely the expense of education.

I believe approaching half of all State revenues come from that industry, and that industry could be almost entirely destroyed by foreign competition based on the facts of life as they exist right now.

I know for a certainty. I have had a chance to study that industry, and I know something about it. What would you advise us to do about that situation in Louisiana?

Mr. HIGHT. First, Mr. Chairman, I could not agree with you that the industry would be destroyed, although I know you undoubtedly know more about the industry than I do. I have looked at it, too.

The CHAIRMAN. Let me just put it to you this way: They can put the oil in Louisiana at $1.50 a barrel.

Now, there are very few producers in Louisiana who can produce any oil for $1.50. They certainly cannot go looking for new oil if they cannot earn more than $1.50. Of course, some of them could continue to operate their existing wells until they were depleted. But, they could not afford to look for more.

What would you advise them to do?

Mr. HIGHT. We know, Mr. Chairman, that we are in the situation where we do have controls on imports of oil. Some years ago, of course, we did not have, and I do not think at that time that the domestic industry was in a very bad situation. This goes back about 10 years where the companies themselves tended to control the imports so as not to exceed percentages which might essentially damage the American industry.

That was changed, of course, those 10 years ago first under the voluntary control decision by the administration, and later by the mandatory controls.

I would not think really that the major companies would now engulf the Nation with imported crude or with products.

The CHAIRMAN. Well, they have 500 wells in the Near East that can produce more oil than the whole 38,000 we have in this country.

Mr. HIGHT. Yes; but the companies involved have themselves huge stakes in Louisiana and in Texas and other States.

The CHAIRMAN. Well, they would remove their refineries and close refineries down. We have seen them do that. It makes no sense to have your refineries in Louisiana if your oil is coming out of Venezuela or the Near East. The logical place would be to put those refineries in the area where the principal market for the product is, which would be, perhaps, the New York-New Jersey area, perhaps some of it in the Chicago area. But even so——

Mr. HIGHT. Yes; that is quite possible. It is all within the country, though.

The CHAIRMAN. The practical matter is to try to make even better sense and put those refineries where you had a lower labor cost or where you can construct your plants more cheaply. That would probably dictate that you put them somewhere between your point of production and the eastern seaboard where you landed it, which would mean it could be one of the Mediterranean countries, it could be Peurto Rico, Virgin Islands, or it could be one of the relatively less-developed countries somewhere along the line. Just pull the ship up and put the crude ashore and pump the products on.

Mr. HIGHT. Venezuela has been in production for a great many years, you know, Mr. Chairman.

Ten years ago I saw no trend to dump, although imports of crude were open and free.

The CHAIRMAN. I do not know of anybody in the oil business who would say if we did not have some protection for the domestic industry that he can see anything other than a rapid increase of imports until the industry had shrunk to a very, very minimal size.

Mr. HIGHT. Yes. But the justification for the import controls are national security reasons; are they not?

The CHAIRMAN. That is correct.

Mr. HIGHT. Not the destruction of the domestic oil industry.

The oil industry, of course, has never gone to the Tariff Commission for an examination of what might happen or whether they might be threatened with injury or not. The decision to impose quotas was entirely on the basis of national security.

Now, the State of Louisiana, of course, has a stake in this, but the State of Louisiana, as well as other States, has the option to shift.

You talk about your tax base. The tax base could be something else, and this is the kind of economy we have. This is the kind of economy we want, this is the kind of economy that we have always had.

The CHAIRMAN. Well, if we did that, about the only thing I know of that we could push onto the world market in any quantity would be rice, and we would be shifting from high-wage jobs into low-wage jobs.

Do you think that is a desirable answer to the problem?

Mr. HIGHT. I am not sure that your high-wage jobs are anything but a reflection of high productivity, and that is all they can be. If the productivity is not there clearly you cannot have a high-wage job.

We export obviously some four times as many manufactured goods as we import. I think your rice, in fact, is probably the lowest cost rice production in the world.

The CHAIRMAN. Well, we have managed to be competitive.

Mr. HIGHT. I am sure you do. I think you are very competitive.

The CHAIRMAN. It takes a lot of doing to do that, but it is still a low-wage industry.

Mr. HIGHT. There are many low-wage industries in the country, there is no question about it. In most of the small——

The CHAIRMAN. Let me ask you a question I have asked a number of other witnesses. Let us assume now we find that America is no longer the low-cost producer of a number of major items, a great number. Let us just assume that for the sake of argument.

Mr. HIGHT. I heard your question of Mr. Strackbein—the same question.

The CHAIRMAN. Let us assume that there are other nations improving their technical proficiency, and I have high admiration for the Japanese. I have seen what they are doing, and they are going to do a lot more of it.

Let us assume Western Europe and Japan and even these less developed nations come out and really move ahead to where they can produce electronics more cheaply than the United States, and even produce computers that are right now an export item for us, farm machinery cheaper, petrochemicals cheaper, the plastics cheaper, oil, gas, they can produce that a lot cheaper right now certainly, and the products that are derived from it cheaper. Suppose we find that with regard to automobiles, that our prestige items, the items that enjoy the high-wage rates, they can produce all of those items, someone around this earth can produce any one of those cheaper than we can and ship it to us below our costs.

What do you think the answer to American policy should be about that situation?

Mr. HIGHT. I think we would be in terribly bad shape. I would think that we had failed miserably. I think the industries that have come before you today seeking protection have not done their job. I think they have not been able or have not used the ingenuity to compete in the world.

I do not think the Japanese can produce things and actually increase their technology and their efficiency, and reduce their costs below America's in any overwhelming way. If they can, and do, I think that our industries are sadly lacking. I think any economist would say that.

I know no quota system will ever protect us from that if it becomes true.

The CHAIRMAN. Now, let us just assume we have a situation parallel to what I discussed at Avondale, La. Let us just assume our workers are welding more steel together than those Japanese workers; for an hour of work they are producing more for an hour of work than even the Japanese.

Mr. HIGHT. I am sure of that.

The CHAIRMAN. And let us assume that notwithstanding all the hard work they are doing, but purely because of one factor, the difference in wage rates, those Japanese are in a position to completely put us out of that industry or any other major industry on a free trade basis. What do you think our Nation's policy ought to be?

Let us assume that sad fact exists. It certainly exists in shipbuilding, and we have a lot of protection on that.

Mr. HIGHT. I think it does exist in shipbuilding; not too many other industries, and the only reason——

The CHAIRMAN. And the steel people claim it exists with regard to them, and you see other people who say it exists with regard to them.

Let us just assume that is a fact of life and it exists, and we are confronted with a situation that while our labor is more efficient or every bit as efficient as theirs, that the difference in wage rates dictates that they capture the foreign markets, and unless we do something about it they will have this market. What do you think we ought to do?

Mr. HIGHT. I think in the end that the wage rates reflect wage productivity.

I will agree that in the shipbuilding industry that has been a problem. The only reason, probably, that we maintain a shipbuilding industry is for our national protection, national security. We have said that for years. Perhaps we would be out of the shipbuilding industry were it not for that and, perhaps our total productivity would be better in other industries with the skilled labor involved in shipbuilding which would be shifted to those industries where it could be more effectively used.

The CHAIRMAN. Our labor is to be shifted to other industries?

Mr. HIGHT. To other industries, yes, the most efficient industries, the highest wage industries, in fact.

The CHAIRMAN. Do you really think that those fellows who work out there in those rice fields really at what would amount to a minimum wage——

Mr. HIGHT. Yes.

The CHAIRMAN (continuing). That those fellows failed to work as hard as those people who work in those steel mills and on those construction jobs?

Mr. HIGHT. I have no doubt they work just as hard, but they do not have as much skill, and we all know that those who have the most skills make the most money, be it labor or in any other area. Smart people make more money than dumb people in every business.

The CHAIRMAN. Let us say an American of Japanese ancestry is working in an American plant compared to a Japanese in Japan working in a plant where our type of equipment is there, turning out about the same amount for an hour of work, and that man working for one-quarter of what our man is working for. How can you say that wage reflects productivity?

Mr. HIGHT. Obviously the main point in productivity is not only the skill of the worker, it is the amount of capital that is put behind him and we know certainly in American industries there is far more capital behind our production than there is anywhere else in the world.

You heard the gentleman from the Caterpillar Tractor Co. How in the world do they sell $500 million worth of equipment around the

world in the face of low wages everywhere else on earthmoving equipment?

The CHAIRMAN. Well, you have been testifying for pure free trade. Do you also believe in the free flow of capital?

Mr. HIGHT. I should think in the end we would have to go to that. Yet I think in terms of adjustment periods, I think we ought to have, and this is the basis of my statement, that we ought to have a declaration of policy in this country that we will move progressively in that direction.

I think that has been the sense of our policy since 1934, but we are now appearing to be retreating from that policy.

Is there any reason, Mr. Chairman, why the United States——

The CHAIRMAN. Might I just submit to you a reaction that occurs to this Senator? It might help you to meet what is in my mind?

It seems to me that there are very few nations, if any, on this planet besides the United States that will just voluntarily sit there while another country runs one of its prestige industries right on out of its own market.

Mr. HIGHT. Do you think that that has not been a danger in the European community? Do you think that all their costs were equal and that when they agreed to go to duty-free treatment among the six that one country and one industry or another would not be hurt? They had to face that. Certainly the chemical industry in one country was a lower cost industry than in another.

The CHAIRMAN. All right.

If that is the case why don't they let us ship our automobiles into that six market?

Mr. HIGHT. I would hope we can arrange that. I hope it can be negotiated. These things take some time. We did get, I think, some concession on the road taxes as part of the Kennedy round, assuming the ASP has passed. But these are things that can be negotiated.

I do not deny that there is protectionism around the world. All I am saying is the United States, as the leading economic power ought to take the lead in getting rid of these restrictions, and not imposing them.

The CHAIRMAN. Well, the thought that occurs to me about that is that if this country is to do business on a free trade basis——

Mr. HIGHT. Everybody else ought to, every industrialized country ought to, yes.

The CHAIRMAN. And the other countries are not——

Mr. HIGHT. Then we should not do it either.

The CHAIRMAN (continuing). Then we very likely would be putting these other countries in position to pick and choose which American industries they want to put out of business and which they do not want to put out of business.

Mr. HIGHT. I do not think it can be done. I think what you are suggesting is that the Kennedy round, which started from one particular point, 1962, when we still had a surplus of trade, that it was an unfair agreement and a bad deal. I cannot see how any country in the world would put any particular business in this country out of business unless we put one of their businesses out of business. I believe it goes both ways.

The CHAIRMAN. I am familiar with that Kennedy round. I was here when we passed the bill, and I helped to pass the bill.

Mr. HIGHT. Yes, Senator.

The CHAIRMAN. I was well aware when I was doing that that President Kennedy had every intention of protecting both the oil industry and the textile industry.

Mr. HIGHT. I assume he wanted to protect every industry in the country.

The CHAIRMAN. Pardon me?

Mr. HIGHT. I assume he wanted to protect every industry of the country, and I think he said it. He specifically named textiles and oil, I think, in certain statements. But I do not think he wanted to endanger any industry by a bad deal.

The CHAIRMAN. Well, it just seems to me that these agreements that were made, and these laws that we passed, are to be passed hopefully to move toward a result that would make it a good deal both ways, a good deal for this country and for the other country. But I would certainly hope if we could not make it a good deal both ways we would not make it a bad deal for America.

I assume from your statement here that you believe anything that expands trade is necessarily a good deal. I do not think so. I think it is just like going into a store. Some things are a good buy and some are not, and you ought to make the deal that is a good one and turn down the one that is not a good one.

Mr. HIGHT. I think you start with the assumption that the expansion of trade is good.

I do not agree with bad deals. I do not assume that we have any bad deals. But, what you are proposing—I do not mean you—but I say what the bills before the committee propose is that we go back, that we reverse what has been accomplished in the Kennedy round, and that will, in fact, be the result. It cannot be any other result.

They will retaliate; they are fully justified in retaliating under the international rules of the game. Quotas are not permitted under the GATT except for balance-of-payments reasons.

Now, we are not prepared to assert—I hope we are not—that we have to have quotas to protect our market because we are in difficulty over the dollar. I think there could be nothing worse for the dollar than for us to assert that we need import quotas to protect our balance of payments.

The British did it with the surcharge that you talked about a few minutes ago, when they imposed the 15-percent surtax even among the EFTA countries where they were pledged not to do it.

They are trying to get rid of it. They have moved—they know it is unwise—it weakened the pound, I think, without any question. I do not think it helped the pound a bit, but this was a decision they took and I hope we do not take any such decision.

The CHAIRMAN. Well, thank you very much, sir.

Mr. HIGHT. Thank you, Mr. Chairman.

The CHAIRMAN. Our next and our concluding witness of today's hearing is Mr. Gerald O'Brien of the American Importers Association.

STATEMENT OF GERALD H. O'BRIEN, EXECUTIVE VICE PRESIDENT, AMERICAN IMPORTERS ASSOCIATION

Mr. O'BRIEN. Mr. Chairman, my name is Gerald O'Brien. This is my first appearance before your committee.

However, under our former name, the National Council of American Importers has appeared many times before you since 1921, the year we were established, as the recognized trade association of American importers.

At the present time we have more than 700 members throughout the United States. Most of our members are actual importers who bring into this country from almost all the other countries of the world a wide variety of commodities ranging from raw materials and semimanufactures to finished food products, beverages, and other consumer goods. We also have in our organization individuals and firms which serve importers, for example, customhouse brokers, attorneys, banks, marine insurance, and transportation companies.

I would like to deviate from my text at this point to thank you for your conscientiousness in staying so long to the bitter end and hearing all the witnesses, and express my personal appreciation for your very fair conduct of the hearing and your sincere effort to determine what is truly in the national interest.

Your committee's current study on the legislative oversight and the future U.S. trade policy is really needed, and the viewpoints collected for the compendium should be very valuable. I hope our contribution will be helpful.

Five short years ago, in 1962, Congress passed the Trade Expansion Act granting the President the authority to begin, and carry out, the most comprehensive program of tariff reductions in history. The act, as we all know, gave birth to the Kennedy round of trade negotiations which were just recently brought to a successful conclusion.

Now, before the United States and the other nations of the free world even have an opportunity to begin to enjoy the benefits of the Kennedy round agreement, Congress is being asked to destroy what it was largely responsible for creating by passing an array of quota bills that would severely restrict international trade. Such a complete reversal of position is mystifying. Why is Congress now considering repudiation of the policy it adopted even before it is given a fair test? Why is it undermining the credibility of the American word by reneging on its pledges. More importantly, why is it considering tearing down the edifice of freer trade that many previous Congresses and five administrations have worked for over three decades to build?

Nothing has occurred since 1962 to demonstrate that our long-established national policy of liberal trade is no longer in the best interests of the United States. On the contrary, over the past 5 years U.S. trade has expanded greatly. Exports have increased more than 40 percent from 1962 to 1966, reaching a record $30.3 billion.

Every year since 1962, the United States has registered a substantial surplus in its trade balance, just as it has every year since 1893. Based on latest calculations the surplus for 1967 is expected to reach $4.7 billion.

In recent years, large trade surpluses have been perhaps the single most important factor helping to ease our unfavorable balance of

payments. If the $3.7 billion trade surplus registered in 1966 were eliminated our balance-of-payments deficit would skyrocket from $1.4 billion to $5.1 billion.

Obviously a balance-of-payments deficit of that magnitude would have disastrous economic and political consequences for the United States and the free world.

Granted, imports have increased substantially during the past 5 years; in fact, by about the same percentage as exports. But, without this growth in imports there might well have been no parallel growth in exports. Trade moves in two directions. The United States must import if it is to export. This is such an elementary fact that it is almost embarrassing to have to continually repeat it.

Yet it is necessary to repeat it over and over, for protectionists conveniently ignore the interrelationship between exports and imports as well as the general benefits imports provide to the economy. Imports not only encourage the expansion of exports but also give the American consumer access to a worldwide marketplace, save him money by providing the opportunity to purchase good merchandise at competitive prices, and generally benefit the economy by sharpening competition and combating inflation.

Protectionists, however, point at imports as a major source of all our economic problems. Not only is that accusation incorrest and unjust, it is dangerous. What would happen if protectionists have their way and succeed in pushing their quota bills through Congress? It is estimated that if all the quota bills now before Congress were passed, approximately $6.6 billion worth of imports would be subject to restrictions.

Our trading partners, many of whom are vitally needed allies and friends, cannot and will not stand idly if Congress were to drastically reduce their access to the American market. In 1963, the United States did not hesitate to strike back when the European Common Market restricted imports of U.S. chickens valued at only $46 million. If only $46 million could trigger a "chicken war" what is likely to happen when so many countries, so many commodities, and so much money are involved? There is absolutely no question but that such a trade war would be disastrous for the United States and the free world. This Nation and the world paid a heavy price during the early 1930's when a few industries, placing their interests before the interests of the country as a whole, succeeded in barring competition from abroad.

The consequences of that successful protectionist campaign are well known. Intended as a cure for the depression, the high tariff barriers erected in the early 1930's only deepened it and severely damaged the economies of the United States and other countries.

Congress and the administration quickly realized that obstructing the free flow of trade had greatly worsened the depression. As a result, in 1934 protectionism was abandoned when the United States initiated a liberal trade policy with the passage of the Trade Agreements Act. Since that time, the United States has led the world in fighting for freer trade. We have just scored the most brilliant victory in that long fight with the successful conclusion of the Kennedy round.

Now, the protectionists demand that the United States give up that victory by erecting new trade barriers in the form of quotas and orderly marketing regulations. Protectionism in any form is adverse

to the interests of the United States, but these devices—quotas and orderly marketing regulations—are by far the worst kind of trade barrier. By setting limits on the volume of imports they stifle competition, disrupt the free working of supply and demand in the marketplace and in general make a mockery of the basic principles of free enterprise. Quotas and orderly marketing regulations are wholly uneconomic and have the effect of freezing patterns and volume of trade in predetermined channels with little regard to changing conditions and changing needs.

Tariff barriers in the form of customs duties no matter how high, can be surmounted by resourcefulness and ingenuity. However, import quotas and orderly marketing regulations offer no such possibility. No advance in technology, no skill in design, not even highly competitive prices can overcome such barriers.

Seen clearly, quotas are nothing more than an umbrella under which protected industries can be shielded from competition and assured a fixed percentage of the domestic market. Under this umbrella protected industries have no incentive to make prices more competitive and can even control them, thus denying the American consumer the right to a truly free market.

Quotas and "orderly marketing" regulations are extremely costly and difficult to administer. Existing quotas presently come under the jurisdiction of several government departments—the Bureau of Customs, the Department of Agriculture, the Department of Commerce, and the Department of the Interior. If the proposed quotas and regulations are passed, the staffs of all these departments, and perhaps others, will have to be enlarged.

Equally important, the imposition of quotas results in parcelling up the market, and invites corruption, influences peddling and favoritism. If they are set up on "first come, first served" they cause a mad scramble by suppliers for a share of the market, which brings in its wake all of the problems just mentioned. If they are established on a country-by-country basis, political considerations acquire as much, if not more, importance than economic factors in determining who will sell to the American market.

The Joint Economic Subcommittee of the Congress has stated the case against nontariff barriers to trade in emphatic and clear language:

> The interest of the United States in increasing world trade is strong. The setting of our course for the past third of a century toward multilateralism and the general expansion of world trade has been rewarding. If the regional trade blocs and other major trading countries show a willingness to move in the same direction on a genuinely reciprocal basis, it is right that we should hold this course since the potentials for multilateral trade are far from being exhausted.

I thank you, Mr. Chairman, for this opportunity to express the views of our association.

The CHAIRMAN. I want to thank your association for the cooperation that you have given the committee in days gone by with regard to important problems. We have found that since you have been with your association, you have readily made information available to us and our staff and we appreciate it.

Mr. O'BRIEN. We try to be objective, Senator.

The CHAIRMAN. Thank you so much.

We have not scheduled to hear Mr. Herschel Newsom, but I have read the statement of Mr. Newsom. He is here.

If you want to say a few words about this document, you may.

I will have your statement printed in its entirety.

If you want to say a few words, you may.

STATEMENT OF HERSCHEL D. NEWSOM, MASTER OF THE NATIONAL GRANGE, ACCOMPANIED BY HARRY GRAHAM, LEGISLATIVE REPRESENTATIVE

Mr. NEWSOM. Mr. Chairman, we had understood we were scheduled, although after the list was printed we found we were not. First of all, let me introduce Harry Graham, our legislative representative.

Let me say to you that I find myself so much impressed by the last two statements that were made that I would only, sir, for you, like to put a little bit of an agricultural complexion on this.

First of all, let me introduce myself as an Indiana farmer, Master of the National Grange, a member of the Public Advisory Committee on Trade Negotiations, and just recently retired as president of the International Federation of Agricultural Producers.

So my statement will be directed to calling your attention, sir, especially to that portion of the statement on page 7 that recites the importance of agricultural exports in connection with the trade balance and the stability of the American dollar, and we would like specifically to call your attention to the fact that even though we are the world's largest agricultural importer, we still earned a net of $2.5 billion in agricultural trade balance last year, and this is very important because it made up about one-fourth of all the U.S. exports, but accounted for over one-half of the year's favorable trade balance.

Now, in my judgment, Mr. Chairman, your committee cannot ignore that particular fact.

I should like to say to you frankly that the interest of agriculture and rural America in this subject matter is predicated upon a long abuse of agriculture and rural America by reason of the fact that the protective policy exempted agriculture from the outset, as you may recall in the debates between Alexander Hamilton and Thomas Jefferson when the protective policy was established.

The unfortunate fact of the matter is we had to wait for a trade expansion act a few years ago and for the Kennedy round in the GATT to realize the prediction that Mr. Hamilton himself made that if this Nation, this young Republic of ours, established a trade policy on behalf of its industry it would eventually find—and his prediction was within a hundred years, perhaps we waited longer than that—that we would have to create a new balance by diminishing the tariff and trade protection for nonagricultural industry and the producers of other than new wealth. I can say to you frankly that the bringing of agriculture into a national trade policy on the part of the United States for the first time in the history of the United States was achieved in the Kennedy round, as I see it, and I was not in Geneva long, but I was there long enough to get a feeling of the thing.

Mr. Chairman, I would say to you that contrary to some of the statements that have been made as I heard them made, I would like only to point out that we believe that there is a place for the use of

quotas, but we do not believe that legislatively established quotas fit into this world trade picture.

Now, the quotas of the type that the President of the United States invoked on dairy products for the purpose of protecting a domestic pricing structure in dairy products, are a sound use of quotas.

This is a use that my colleagues in the farm organizations over the rest of the world subscribe to, and it is the kind of use of quotas that I think is constructive and still can be a part of an aggressive and progressive trade policy to which we would like to see this country remain committed.

Mr. Chairman, I shall not take more of your time. I feel very strongly about agricultural exports and the very life of American agriculture depends on the reasonable maintenance of agricultural exports.

I have had visitors through my office in the last few weeks from Europe and from Japan who assure me if we expect to maintain our existing level of agricultural exports we have to avoid permitting the U.S. Congress to legislatively impose quotas, preferring to leave the imposition of quotas to negotiating processes of the type that I mentioned before.

(The prepared statement of Mr. Newsom follows:)

STATEMENT BY HERSCHEL D. NEWSOM, MASTER OF THE NATIONAL GRANGE, AND MEMBER OF THE PUBLIC ADVISORY COMMITTEE ON TRADE NEGOTIATIONS

Our interest in the subject matter of proposed and prospective import quota legislation is substantial and is born out of the compulsion of bringing American agricultural trade requirements increasingly into our national trade pattern. This must be done in such a manner as to equitably serve the rights of agricultural producers in proper relationships with those of other segments of the United States economy.

It should be clear that we must bring about a world trade structure, under which regulations and protective devices designed to protect the financial integrity and the job security of American citizens will clearly take account of fundamental necessity of making reasonable provisions for trade expansion over a period of time on the basis of competitive efficiency. In fact the United States has, in my opinion, been reasonably effective in encouraging a trend toward reduction of trade barriers and increasing recognition of competitive efficiency in a trade expansion program. There is still appeal in the slogan of "More Trade and Less Aid in our Foreign Relations Program."

It of course follows that we, whose major interests are agricultural, must clearly recognize as we must ask all other Americans to recognize, that some of our own artificial devices or protective mechanisms, even though they may have been justified at the time of their invention, now stand as impediments to a progressively expanding trade pattern, increasingly responsive to competitive efficiency. Such protective devices must be progressively modified over a period of time to promote maximum trade expansion on the basis of that competitive efficiency.

I would respectfully urge the members of this committee to consider the fact that agriculture in America has historically been the victim of protectionist policies, designed primarily to protect non-agricultural industry and non-agricultural labor from foreign competition.

May I respectfully ask that this Committee consider, also, my view that the agreements reached in the Kennedy Round at Geneva represent the most effective effort that has been made in the entire trade history of the United States to bring agricultural trade requirements effectively into a national trade policy. This statement is true, whether the single package or the dual package proposals become effective.

But I earnestly plead that the national interest of the people of the United States will be best served by the acceptance of the dual package proposal; and I further respectively submit to you that the prospects of "organizing the world for peace"--of successfully substituting Trade for Aid programs around the

world, and of improving the prospect of successfully meeting the World Food vs. Population crisis—require the ratification of the dual package agreement in the Kennedy Round.

It there follows clearly that we propose to do everything within our power to point to the dangers, from the standpoint of all of the objectives, enunciated above of intemperate protection policies that would legislatively establish quotas or other protective devices that are not subject to negotiation or interpretation, with a view both to domestic necessity and farm trade patterns, and which would do great damage to the value of the five-year Kennedy Round Agreements.

The road to expanding trade is admittedly so difficult that we have been detouring throughout a major portion of American history. We shall have to continue to temper our progress toward widely agreed objectives. But surely, we must recognize that even as our own government, or other governments in the world, must accept responsibility to provide reasonable protection for the integrity of investment and the integrity of employment from economic aggression, we must likewise hold to a minimum, the giving of our producers an advantage that is not related to their actual competitive efficiency compared to that of foreign producers.

Protective devices down through the years have in many instances been born out of national and economic necessity. The progressive reduction of those protective devices in the interest of broad objectives to which most of us subscribe wholeheartedly, will be a long and difficult route, but the route must be traveled, and we must try to avoid reversals of policy.

I would respectfully ask this Committee to consider the sad reflection upon man's ability to achieve even the most clearly defined aims for the people of the world—an adequacy of food—and to recognize that this failure is related to our previous inability to achieve this sort of trade policy, embracing agricultural trade requirements, along with those of other segments of our various national economies. It is this imbalanced trade policy—a trade policy which in the early history of most of the Developed Countries of the world, including our own, was designed to give governmental stimulus to industrial development, and wisely so—which has done much since World War I to place agriculture at such a disadvantage in many of the less Developed Countries.

Now, however, it is becoming increasingly clear that agriculture—our own American agriculture—is more intimately related to, and more inter-dependent on and with other segments of the American economy than it has ever been heretofore.

The necessity, therefore, of achieving an orderly growth of agricultural export markets demands that all Americans look with great care and concern upon the legislative imposition of any import quotas which might compel our trading partners in the world to take the retalitory action that is provided in the articles of the General Agreement on Tariffs and Trade.

Visitors in my own office have made it clear, not necessarily in tones of a *threat*, but in terms of their own economic necessity, that they will be compelled to retaliate against the United States, if we *revert* to the old process of legislatively establishing quotas that do violence to *their* international trade patterns—or ignore *their* competitive efficiency.

There are many economic devices available to us, to serve legitimate purposes of reasonable protection of the rights of our own nationals; as indeed they are available to other countries of the world, in terms of protecting a reasonable domestic price structure.

For example, I would remind the members of this Committee of the provision under which the President of the United States was able in compliance and conformity with international law, to establish quotas on dairy imports a few months ago—for the purpose of protecting our domestic pricing structure on dairy products.

This sort of action, as I understand it, is entirely different in its basic concept, and certainly is subject to vastly different interpretation around the world, than would be some of the proposals with which this Committee must apparently concern itself; to legislatively impose import quotas on specified commodities at fixed levels, which levels are not necessarily determined in a manner to permit orderly growth of international trade patterns, on a basis of competitive efficiency. We, therefore, would plead that any protection, for any one segment of our domestic economy, must clearly be considered in the light of its potential impact on the total economy.

We yield to none in a genuine desire to protect our own people—in or out of agriculture. We have supported the inclusion of provisions and devices for achieving this level of protection in various pieces of legislation that have come before the Congress for the past many years.

American prices and American wage levels must be given reasonable protection. But we dare not permit that protection to approach the point of stagnation of our economy, or any segment thereof. Nor may we justify permitting a type or degree of protection to develop for any segment of the economy that seriously threatens or impairs existing exports and hence does damages to the trade balance and thus to the value of the U.S. dollar in international exchange.

The prosperity of the United States from the beginning was based upon maximum exportation of agricultural products and minimum of importation of manufactured goods. Our first legislation, in the first Continental Congress, was directed at the protection of our new industries from the destructive competition of established industries in other parts of the world. The predominantly agricultural population of America gave uninterrupted support to this concept for well over a century, while we were growing as a nation toward our present stature in the world.

Our industrial growth was further stimulated by the extraordinary demands of two world wars. This growth included agriculture and left our agricultural and manufacturing structures stimulated to a productive level that exceeded available markets, as each of these wars came to an end.

We may indeed face the necessity even now of some degree of temporary protection for some products of industry if it is determined that a situation which was beyond their controls may have placed such American industry at a competitive disadvantage, by reason of the fact that industries in certain other countries of the world were virtually destroyed; and thereby, of necessity, rebuilt on a pattern that provides them some measure of competitive superiority in steel, or in textile manufacture, for example, and that this may have been born out of national necessity, rather than corporate or individual complacency.

Surely some method of achieving that degree of protection, short of destroying the prospect of orderly trade expansion and development, as visualized above, can be found without resorting to legislatively established quotas, as seem to be envisioned in some of the proposals with which this Committee must be concerned; and which would surely result in serious reduction in U.S. exports.

It is not for a representative of agriculture to indict, or even imply indictment, of our oil, steel, chemical, textile and automotive or other major non-agricultural industries. I do not concede that those industries need to retreat under protective quotas, however, of any more than a temporary nature. Nor do I concede that a schedule of progressive downward adjustment of import duties should be necessary, in any broad treatment, of the problems of these non-agricultural industries.

It is clear, however, that American agriculture, on the basis of competitive cost of producing its products, has well earned, and justifiably achieved the expansion of agricultural exports to the volume of 6.8 billion dollars, in cash sales in 1966-67, and that on the basis of competitive effectiveness and per man production, American agriculture should clearly be entitled to a continuing expansion of agricultural exports.

Despite the fact that our imports of agricultural commodities, chiefly from the tropics, make us the largest agricultural *importer* in the world, we still *earned a net of 2.5 billion dollars in agricultural trade balance* last year. This is important. Agricultural exports in fact made up about *one-fourth of all United States exports* during the year; but *accounted for over one-half of the year's favorable trade balance.*

We would, therefore, plead that such protection as may be found to be just and necessary must not be provided at the expense of generating the sort of *retaliatory action* that appears to be an inevitable consequence of unacceptable protectionist policies in the form of import quotas which bear no relationship to competitive efficiency—either present or prospective.

While the Low Farm Income problem is not the prime subject matter before this Committee, I respectfully urge you not to forget or ignore the fact that rising agricultural indebtedness is a threat to the nation; and *it is directly generated by the fact that rising costs of production in agriculture,* and the compulsive *substitution of capital for labor* in a period of *high employment at higher wage levels than agriculture can justify.* This rising agricultural indebtedness must clearly concern the members of this Senate Committee on Finance as well as all other Americans.

Agriculture, therefore, has a second interest in an expanding trade policy—as contrasted to a shrinking trade pattern—in addition to that of expanding export markets for the products of agriculture.

That second interest is an effective, competitive influence, that will tend to retard the rise in the cost of living, and cost of agricultural production. Both of these interests are compelling reasons for our appearance before this Committee to plead for Trade Expansion rather than Restriction.

We do not pose as an expert in this subject matter. But we respectfully submit to you the basic question as to whether any industry, seeking the protection that this Committee now has before it, needs that kind of protection from international competition as badly as does the basic agriculture industry of America need the continued growth of export markets. The national welfare, and the United States Trade Balance clearly require also that such protection as may be needed in these products—which are currently the concern of these hearings—must also be taken into account.

This is not to say that we're asking this Committee to ignore the pleas of any other segment of American industry. It is on the contrary to say that these pleas must be considered in relationship to the effect that they might have upon all other segments of the American economy and, indeed upon our National Trade Balance and Exchange position.

I have been furnished with figures and statistics showing the comparative competitive positions of various segments of the American economy, with special attention to the protective requests on behalf of oil, lead and zinc, textile and steel producers. It seems inappropriate that I include in my statement references to these figures, which will doubtless be abundantly available to the Committee from other sources and will, I am sure, receive careful scrutiny by the Committee.

With particular reference, however, to protective demands for American beef and dairy products, let me restate my strong conviction that the sort of action taken in late June, by the President of the United States with respect to dairy imports, is legal in the terms of international law; it was effective in terms of the justifiable purposes of such action; it does not unduly restrict trade on the basis of historic or earned competitive position established, either by ourselves or by dairy producers elsewhere in the world; and above all, it can be made readily responsible to changing conditions, whereas a legislatively imposed quota would be much less responsive and hence an invitation to the kind of retaliatory action from other countries, which we must avoid.

With reference to proposal for quotas on meat imports, let me point out that first the Congress did deal effectively with this subject in 1964; and did so wisely and with vigorous Grange support; and secondly, I believe that the limited concessions which are a part of the Agreements in the Kennedy Round, to provide increasing opportunities for meat exports from the Less Developed Countries in the world (providing they meet sanitary and health requirements, legitimately necessary within any national economy or agricultural structure) clearly provide a sound approach to the problem of trade expansion and market growth. As indeed markets in the more Developed Countries of the world are permitted to grow for the agricultural productive capacity of the Less Developed Countries of the world, so will we find that over a period of time the way will be opened for the effective competitive efficiency of our own American agricultural producers—producers both of feed grains and of livestock products to expand total markets.

It is likewise clear that the consequent growth of economies around the world will increasingly provide downward pressure on the protective devices around the world, which operates to restrict access of our efficiently produced American agricultural products in even those countries that now find that level of protection necessary; as in the case of Western Europe.

Let me remind the members of this Committee that the Grange opposed the original meat import qouta bill in 1964. We would oppose it again. The crisis in beef prices in 1964 had two basic causes. First and foremost was the basic cause of over-production by our American producers, in *terms of the available commercial market;* chiefly our own American market. We had ten million more cattle on the ranges and in our feed lots than the market could absorb at a profitable price to producers.

Secondly there was a temporary dislocation of the Australian and New Zealand markets due to the action of the United Kingdom and of the European Economic Community.

In 1966, we had the opposite results with rising prices caused by speculation, consumer demand and a reduced supply. Now the cycle is repeating with shorter duration and less violent fluctuations. But nevertheless, discouraging effects on our feeders and ranchers are being felt. The causes are the same as before, with the additional domestic factors of increased vertical integration plus the effects of a large corn crop and the effects of heavy competition from cheap poultry, as well as a failure to develop and a reluctance (on the part of the industry as a whole) to accept any measure of supply-management on an overall basis.

May I respectfully again call your attention to the fact that under the Trade Expansion Act of 1962, the United States Congress and the Administration gave to American agriculture the prospect of a National Trade Policy moving progressively toward a realistic *inclusion of agricultural trade requirements in that national policy*. It is my earnest hope that this progress toward organizing the world's trade, in justice and equity to producers and consumers, can be continued over the next several years.

We must not destroy this market potential. We must on the contrary take pride in the progress being made, and ask that the more Developed Countries and the Less Developed Countries join us, as we prove ourselves willing to join with them: in seeking further progress and development of an *expanding trade on the basis of efficiency;* exercising only that caution and care which domestic well-being clearly dictates; and standing ready to consider any unusual compensations that the overall national well-being and economic progress may require in the case of destruction or impairment of financial integrity and/or job security of any industry—which may of necessity, be damaged in pursuit of the broad national well-being.

Mr. NEWSOM. With that, Mr. Chairman, unless there is some—I have noticed you are very keenly interested in the whole subject matter. I happen to feel that you are on the opposite side of some of these subjects than we are, and I would like to say, however, unless you desire to continue this interview I will rest the case.

We must seek Trade Expansion—Trade Restriction as a continuing National Policy.

The CHAIRMAN. That might not necessarily be so, Mr. Newsom. You might not agree with me on some particular vote, but then I am not sure that I represent the same State you hail from, and maybe if I did we would be very close together.

Now, you were part of the Kennedy round negotiating team, I believe, were you not?

Mr. NEWSOM. Well, that is hardly an accurate statement. I was only over there for a short period of time in what they called the Big Crunch at the close of the negotiations. I did sit in on some of the steering committee's meetings and I was in some of the discussions with the Australian wool producers and a few illustrations of that kind.

The CHAIRMAN. In your capacity, I think you should be particularly interested to see that we get a binding agreement that those countries over there are not going to increase that variable levy on American agricultural products. Did we get that in the Kennedy round?

Mr. NEWSOM. This was not exactly an accurate statement of purpose. We have long contended that every country has a right to protect its own domestic pricing policy, but they do not have a right to use that level of protection to commit economic aggression on the rights of producers elsewhere in the world.

Now, this means in the language of a friend of mine who a few years ago was vice president of the French Senate, that they are not going to permit us or anybody else in the world to drive their domestic pricing structure down to the point that they displace people

from French agriculture more rapidly than there are places for them to go.

My French friend felt we had done some of that in the United States, and I agree with him. We did do some of it in the United States.

But what I am saying is I do not pretend to be advocating, and I do not think very many of the people that I have heard before this committee are advocating, absolute free trade.

What we want to do is to gradually diminish the barriers to free trade so we will give American consumers and the whole American economy the benefit of the efficient production in the world and guard against unreasonable price increases.

Mr. Chairman, I would remind you, and I know you know this, but I want the record to show it, that this witness, for one, is grateful for the steps that have been taken over the past 25 or 30 years to try to improve gross farm income, and we have made some progress in that direction, but we have never been able to catch up on the treadmill because farm costs are rising more rapidly, and I do not want to penalize any American industry.

As a matter of fact, we supported the prices in the Trade Expansion Act itself to make these injured industries whole, and we think that if there are cases where an industry has not been afforded opportunity to become competitive, then we must not only give them some time but maybe give them some economic help, if need be, in this direction.

The CHAIRMAN. May I ask you if it is true that the European Economic Community is considering a $9 a ton increase in the variable fee on feed grains?

Mr. NEWSOM. Well, frankly, I expect it is true that some of them are considering it. I do not know whether they are going to do this or not. But my only fault with them in this case is if they are going to do that then we have every right in the world to say, "If you want to try to maintain this kind of a price level, and if this is what it takes to maintain economic stability within your country, then you had better recognize that there must be some restriction on the production that you achieve. It is one thing for you to protect your domestic price level, but it is quite another thing to use that protection as a means of commiting economic aggression in the world market."

I have no brief for France's having become a wheat exporting nation under this policy. But when I criticize them they say, "Oh, why do you worry about the variable levies? You invented it. We learned it from you in your American selling price mechanism. The only difference is we want to apply it to agriculture."

The United States applied it to industry, and this is true. You cannot argue the point with them. This is why I am hoping that the Congress of the United States or the Senate of the United States will agree to some modification of this highly protective American selling price system. It is a variable levy. It says only that when a foreign manufacturer of that particular kind of commodity can land that product f.o.b. the United States, then we raise the levy, vary it, to the point that the f.o.b. price becomes the American selling price. You know that. It just has not been recognized yet that we taught the Europeans a lot of the tricks they are now turning against American agriculture.

The CHAIRMAN. May I ask what is the position of your organization with regard to the American Sugar Act? Are you opposed to it or for it?

Mr. NEWSOM. We have consistently supported the American Sugar Act. .

The CHAIRMAN. You see that has a quota.

Mr. NEWSOM. Yes. But may I say, Mr. Chairman, that this has a quota in connection with the maintenance of a domestic price level. This is quite a different thing.

We have a quota that is—the producer is eligible only if he stays within his own production quota. This is marketing regulation, and I do not like all of the aspects of it. Frankly, however, I do not know of any alternative program that I do like.

But you cannot take just the quota out of this program and do justice to the Sugar Act, sir, and you know that.

The CHAIRMAN. Well, thank you very much, sir. I appreciate your statement here.

That will conclude the scheduled hearings to this point. The committee may wish to ask some of the Cabinet members back down for a closing statement about this matter, as well as a summing up of some of the sponsors of bills and spokesmen for them. But I believe that we have, for the most part, achieved a balanced hearing allowing equal time for both sides of these bills.

We had a tremendous number of requests to be heard, and we persuaded a great number of people to combine their statements and to submit statements in order that we might reduce the time that these hearings would take.

I appreciate all the cooperation we have had from everyone who had an interest in this matter.

We divided the time in such a fashion that the proponents would have half the time and the opponents would have half the time. We have only had one complaint, and that was from an industrialist who said it was not fair for foreigners to have as much time as the American industry should have.

Those speaking for the importers were almost exclusively American citizens who are interested in imports. We were anxious to get a balanced statement of both sides of the question. I hope we have so far.

Thank you very much.

I want to thank the gentleman in the booth up there, Mr. Al Begeman, who handled the sound since we moved to this committee room. He has worked overtime, and he worked very hard. He worked beyond the call of duty.

Thank you, sir.

(Whereupon, at 8:30 p.m. the committee recessed subject to the call of the Chair.)

(By direction of the chairman various import quota bills before the committee and communications received by the committee are made a part of the record:)

ELECTRONICS IMPORTS*

90TH CONGRESS
1ST SESSION

S. 2539

IN THE SENATE OF THE UNITED STATES

OCTOBER 16, 1967

Mr. BROOKE (for himself, Mr. BAYH, Mr. CARLSON, Mr. CLARK, Mr. CURTIS, Mr. HRUSKA, Mr. KENNEDY of Massachusetts, Mr. MUNDT, Mr. THURMOND, Mr. TOWER, and Mr. COTTON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for an equitable sharing of the United States market by electronic articles of domestic and of foreign origin.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the total quantity and value of consumer electronic
4 products and accessories of foreign manufacture, including,
5 but not limited to, television receiving sets, radio receiving
6 sets, phonographs, record players, tape recorders, and
7 chassis and accessories for such products, remote control de-
8 vices, antennae and antennae rotators, and any combina-
9 tion of the foregoing, and citizens band transceivers, which
10 may be entered, or withdrawn from warehouse, for consump-
11 tion during any calendar year shall not exceed the quantity

II

★ (Star print)

*Communications received by the committee on this subject, pp. 1061–1067.

1 and value of such articles entered, or withdrawn from ware-
2 house, for consumption during the calendar year 1966:
3 *Provided*, That commencing with the calendar year beginning
4 January 1, 1968, the total quantity and value of such articles
5 which may be entered, or withdrawn from warehouse, for
6 consumption for each ensuing calendar year shall be in-
7 creased or decreased by an amount proportionate to the in-
8 crease or decrease (if more than 5 per centum) in the total
9 United States consumption of such articles during the pre-
10 ceding calendar year in comparison with consumption for
11 the year 1966 as determined by the Secretary of Commerce.
12 SEC. 2. The total quantity and value of electronic com-
13 ponents of foreign manufacture of the classes or kinds used
14 in the manufacture of consumer electronic products, includ-
15 ing, but not limited to, capacitors, resistors, inductors, trans-
16 formers, coils, yokes and chokes, tuners, connectors, loud-
17 speakers, television picture tubes, electron receiving tubes,
18 transistors and other semiconductors, record changers, turn-
19 tables and tone arms, magnetic tape, and fractional horse-
20 power motors, which may be entered, or withdrawn from
21 warehouse, for consumption during any calendar year shall
22 not exceed the average annual quantity and value of such
23 articles entered, or withdrawn from warehouse, for con-
24 sumption during the three calendar years 1964–1966: *Pro-*
25 *vided*, That, commencing with the calendar year beginning

1 January 1, 1968, the total quantity and value of such ar-
2 ticles which may be entered, or withdrawn from warehouse,
3 for consumption for each ensuing calendar year shall be
4 increased or decreased by an amount proportionate to the
5 increase or decrease (if more than 5 per centum) in the
6 total United States consumption of such articles during the
7 preceding calendar year in comparison with the average
8 annual consumption for the three-year period 1964–1966
9 as determined by the Secretary of Commerce.

10 SEC. 3. (a) The quantities and values of any consumer
11 electronic product of foreign manufacture which may be
12 entered, or withdrawn from warehouse, for consumption dur-
13 ing the balance of the calendar year in which this Act
14 becomes effective shall be equal to that proportionate per
15 centum share of the imports of such article for the year 1966
16 which the number of days remaining in the calendar year
17 bears to the full year.

18 (b) The quantities and values of any electronic com-
19 ponent of foreign manufacture which may be entered, or
20 withdrawn from warehouse, for consumption during the
21 balance of the calendar year in which this Act becomes effec-
22 tive shall be equal to that proportionate per centum share of
23 the average annual imports of such article for the years
24 1964–1966 which the number of days remaining in the
25 calendar year bears to the full year.

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1 SEC. 4. The Secretary of Commerce shall determine
2 and allocate the allowable quantities and values of consumer
3 electronic products of foreign manufacture and electronic
4 components of foreign manufacture which may be entered,
5 or withdrawn from warehouse, for consumption among sup-
6 plying countries by category of product on the basis of the
7 shares such countries supplied by category of product to the
8 United States market during a representative period, except
9 that due account may be given to special factors which have
10 affected or may affect the trade in any category of such
11 articles. In making such allocations among supplying coun-
12 tries, the Secretary shall give special weight to and favor the
13 position of supplying countries which allow without restric-
14 tion United States private investment in the manufacture of
15 electronic products in their countries and which impose on
16 imports of consumer electronic products and electronic com-
17 ponents originating in the United States for entry into their
18 countries conditions no more restrictive than those, including
19 the provisions of this Act, imposed by the United States on
20 such products of the manufacture of those countries when
21 imported into the United States. The Secretary of Commerce
22 shall certify such allocations to the Secretary of the Treasury.
23 SEC. 5. The Secretary of Commerce shall, upon the
24 application of any interested party, determine whether there
25 is sufficient production in the United States of any consumer

1 electronic product or electronic component in conjunction
2 with the imports of such article specified in this Act to meet
3 estimated annual consumption of such article, and if a defi-
4 ciency is found to exist, determine the increase in imports
5 of such article required to meet such deficiency in the ensu-
6 ing calendar year. The Secretary of Commerce shall certify
7 such determination to the Secretary of the Treasury.
8 SEC. 6. The President is authorized to enter into nego-
9 tiations with other governments for the purpose of consum-
10 mating agreements to provide for orderly trade in consumer
11 electronic products and electronic components in a manner
12 consistent with the policy of this Act of providing equitable
13 access to the future growth of the American market for both
14 imported articles and articles of domestic origin. The Presi-
15 dent by proclamation may increase, decrease, or otherwise
16 limit the quantity and value of such electronic articles from
17 such country which may be entered, or withdrawn from
18 warehouse, for consumption in conformance with such agree-
19 ments.
20 SEC. 7. Notwithstanding the foregoing, the quantity and
21 value of any such electronic article which may be entered,
22 or withdrawn from warehouse, for consumption during any
23 quarter of the calendar year shall not exceed the propor-
24 tionate per centum share which the total quantity and value
25 of imports of such electronic article accounted for during

1 the like period of the calendar year ended December 31,
2 1966.
3 SEC. 8. All determinations by the President and the
4 Secretary of Commerce under this Act shall be final.
5 SEC. 9. This Act shall become effective upon enactment.

STATEMENT OF SENATOR EDWARD W. BROOKE IN SUPPORT OF A QUOTA ON ELECTRONICS IMPORTS

Mr. Chairman, early this week, I introduced—on behalf of myself and ten co-sponsors—Senate Bill #2539, a bill to provide for an equitable sharing of the United States market by electronic articles of domestic and of foreign origin. This proposed legislation is based upon a recognition that foreign imports are beginning to constitute a larger and larger portion of this country's important consumer electronic products industry. The purpose of this legislation, however, is not to foreclose the American market to foreign manufactured electronic products and components altogether. Rather, it is to provide for a fair sharing of the growth in consumption between domestic and foreign manufacturers.

The penetration of the United States market by foreign-produced consumer electronic products and electronic components has already reached alarming proportions. And the amount of imports is increasing. The figures with respect to consumer electronic products are particularly persuasive. In 1966, the number of home radios sold in the United States was 26.1 million greater than the number sold in 1958. Of the 26.1 million additional units, imports provided 23.2 million (88.8%). In 1966, the number of black and white television sets sold in the United States was 326,000 greater than the number sold in 1963. Imports supplied the entire amount of the increase. At the same time, imports displaced 667,000 units which had previously been provided by domestic manufacturers.

The number of phonographs sold in the United States increased by 2.9 million units between 1964 and 1966. Of the 2.9 million additional units, imports supplied 1.7 million (60.2%). The number of tape recorders sold in the United States increased by 3.4 million units between 1960 and 1966. Of the 3.4 million additional units, imports supplied 2.6 million (76.8%).

It is obvious from the above that the growth in consumption of electronic products in the United States is being enjoyed primarily by foreign manufacturers.

The situation with respect to electronic components is similar. Figures are available showing both direct and indirect imports of electronic components compared with United States commercial production in 1966. (These figures include components imported as parts of finished units, as well as components imported for use in the operations of manufacturing establishments within the United States.) The total penetration of imports of electronic components in 1966 ranged from a low of 12.3% of United States commercial production in the case of television picture tubes to a high of 195.8% in the case of transistors.

A few examples from the 1966 figures will be illustrative of the situation:

[In percent]

Component:	*Ratio of imports to commercial U.S. production*
Receiving tubes	27.5
Rectifiers and diodes	30.3
Capacitors, electrolytic	138.3
Capacitors, fixed	54.0
Controls	66.4
Resistors, fixed	51.3
Transformers	66.6
Loudspeakers	81.2
Record changers	51.4

Despite the obvious effects of imports upon the nation's electronics industry, we have continually reduced American import duties. During the Kennedy Round, duties on television receiving sets were provisionally reduced to 5%. Duties on phonographs, record players and tape recorders were reduced to 5.5%. And duties on radio receiving sets were reduced to 6%. United States import duties on electronic components have been trimmed just as heavily. Clearly, our system of import levies cannot by itself preserve the domestic electronics industry.

The increasingly large part of the United States market controlled by foreign imports has already been reflected in declining domestic employment figures.

In December, 1966, 389,000 workers were employed in the American electronic components industry. But in the space of only six months, such employment dropped to 340,000 workers, a loss of 49,000 jobs. Labor costs are high in the United States. But in Southeast Asia, where the electronics industry has grown rapidly, work similar to that done in the American electronics industry can be

performed for as little as twelve cents an hour and less. Obviously, American industry cannot possibly compete under such conditions. And, as the foreign share of the American market continues to increase, the number of workers employed by the United States electronics industry must inevitably continue to decline.

The bill which I have introduced will in no way interfere with that portion of the market which is already controlled by foreign manufacturers. Consumer electronic products may still be imported in the same quantity and value as that imported during the calendar year 1966 (Section 1). Electronic components may still be imported at a rate determined by the average annual quantity and value of such articles imported during the calendar years 1964 to 1966 (Section 2). Nor does the bill seek to prohibit foreign manufacturers from obtaining a reasonable share of the growth of the American market. Beginning January 1, 1968, the total quantity and value of imports of consumer electronic products and electronic components will be increased or decreased by an amount proportionate to the increase or decrease (assuming such increase or decrease has been greater than 5%) in the total United States consumption of such items as compared with consumption for the calendar year 1966 (Section 1) or the average of consumption for the calendar years 1964–1966 (Section 2).

The bill contains much needed flexibility. There will be no chance that import quotas will result in short supplies of desirable commodities. If, at any time, domestic production and allowable imports are insufficient to meet estimated annual consumption of an item covered by the bill, provisions are included authorizing the Secretary of Commerce—upon application by any interested party—to permit an increase in imports sufficient to meet the deficiency for the following calendar year (Section 5).

In addition, the President would be authorized by this legislation to enter into negotiations with other governments for the purpose of arranging agreements with respect to imports of consumer electronic products and electronic components. If the President is able to reach agreements with respect to such imports which are consistent with the market-sharing policy of this legislation, he may by proclamation increase or decrease the quantity and value of items entering the United States from the countries affected (Section 6). Thus the statutory quotas may be replaced by negotiated quotas, a policy consistent with the philosophy of the Kennedy Round.

It cannot be debated that the influx of electronic products and components from foreign countries has become so great that an important segment of the American economy is being affected. This is not a regional matter. The electronics industry is of nationwide concern. The purpose of S. 2539 is not the prohibition of all electronic imports. Its purpose is to secure a reasonable share of the American market for American manufacturers. I strongly urge its passage.

STATEMENT OF ZENITH RADIO CORP. AND ZENITH SALES CORP. IN SUPPORT OF S. 2539, THE ELECTRONIC ARTICLES QUOTA BILL SUBMITTED BY SAM KAPLAN, EXECUTIVE VICE PRESIDENT, AND LEONARD C. TRUESDELL, PRESIDENT

This statement is filed by Zenith Radio Corporation and Zenith Sales Corporation in support of Senate Bill 2539, "A Bill to provide for an equitable sharing of the United States market by electronic articles of domestic and of foreign origin." The American electronics manufacturing industry is being replaced at an alarming rate by foreign manufacturers and subsidiaries of American companies, located in cheap labor markets, at the expense of American labor.

In the last ten years, since 1956, imports of radio receivers increased from less than one million units, or 6% of the total U.S. market, to 25.8 million units, or 68% of the total U.S. market in 1966. For the first six months of 1967, imports of almost ten million radio receivers accounted for 74% of the total U.S. radio market and 92% of the U.S. market for portable radio receivers. While this market has grown substantially in this period, almost the entire growth has been taken over by imports.

This same pattern is quickly developing in the television receiver market. In 1961, television receiver imports accounted for less than one per cent of the total U.S. market of 6.3 million units, which at that time was basically in monochrome receivers. By 1966, television imports represented 20% of the total U.S. market of 7.7 million monochrome receivers.

While it is true that many of these radio and television receivers are imported and sold under U.S. brands, the fact remains that U.S. labor and U.S. purchasing power does not get the benefit of this production.

In 1967 to date, total U.S. sales of domestic-branded radio receivers have declined 2.2 million units, or 21%, as compared to last year, and total U.S. sales of domestic-branded monochrome television receivers declined 1.7 million units, or 32%.

Inasmuch as imports represent a steadily increasing percentage of the total business, this aggravates the employment loss in the industry.

Currently, increased domestic production of color TV receivers has more than offset the loss in employment and purchasing power caused by imports of radios and monochrome TV receivers, but if the historic pattern of import encroachment continues to develop with respect to color TV receivers, we must take steps now to protect future employment and purchasing power in the electronics industry.

U.S. import duties on consumer electronic products have been reduced from 35% to 10% on TV sets; to 11½% on phonographs; and to 12½% on radios. Further reductions are contemplated.

A similar situation exists on electronic components, where U.S. import duties were reduced from 35% to 10% on TV parts; to 11½% on photograph parts; and to 12½% on capacitors, resistors, receiving tubes, etc.

At the present time, with the electronics industry's plants running well below capacity on an annual basis, we strongly urge a controlled basis of sharing our market and a return to the more realistic import duties that were in effect prior to the reduction.

Many thousands of jobs have already been destroyed by the exploitation of cheap foreign labor at the expense of American labor, and many more thousands of jobs will be eliminated as the complete takeover in radio continues to spread through television and related fields at an alarming rate. Unlike a number of our American competitors, we do not believe that moving our manufacturing functions overseas at the expense of our many thousands of loyal American workers is a sound solution, and we cannot compete against products made in cheap labor markets under present conditions.

Our efforts and plans at Zenith have been directed at creating and expanding job opportunities and, through expensive training programs, at integrating into our work force large numbers of the unskilled and jobless members of minority groups. If the American TV market is flooded with foreign-made receivers manufactured in low-cost labor markets, as has already occurred in radio, to be competitive we will have no alternative but to manufacture abroad and import as many of our leading competitors are now doing.

We respectfully point out to the Committee that the statement filed by the Consumer Products Division of the Electronic Industries Association in opposition to S. 2539 represents the views of U.S. manufacturers supplying probably less than half of the value of the U.S. market in television and radio receivers and phonographs. In addition, many of those in opposition to the bill have in effect transferred, or planned to transfer, large portions of their manufacturing functions abroad for obvious labor cost savings reasons. The Committee will also consider the financial interest of the companies opposing S. 2539 and their plans for the sale here of foreign-made receivers and their use of foreign-made components before assessing the weight to be given to their arguments. The statistics appearing on page 3 of the EIA statement should also be analyzed and compared with the U.S. Department of Commerce statistics and those appearing in the official EIA Yearbooks relating to complete radio and television receivers and phonographs. Inasmuch as the EIA statement represents the Consumer Products Division, their statement relating to components should also be carefully analyzed, since they include many items not used in the manufacture of radio and television receivers and phonographs.

We believe in the principle of "free trade" applied in an orderly, intelligent, long-range plan. We are not "inefficient protectionists" and high tariff advocates. Our manufacturing efficiency and engineering accomplishments are well known. But "free trade" is a goal that must be striven for realistically.

Unless "free trade" is pursued in an orderly, controlled and intelligent manner, large segments of manufacturing industry in this country will be destroyed along with many thousands of jobs and the purchasing power they represent. The tremendous disparity in wage rates presently prevailing between cheap foreign labor and United States labor in our industry makes the need for immediate congressional action urgent and imperative.

MYRTLE BEACH, S.C., *October 24, 1967.*

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

We are asking that you vote for and actively support bill S. 2539 introduced by Senator Edward Brooke of Massachusetts and cosponsored by a number of other Senators. The economic welfare of the electronic components industry and our employees depends upon import quotas being placed on foreign electronic products. Implementation of import quotas will help provide a stable market for our products and insure our employees with full-time employment and job security. We in the electronics industry thank you for your continued interest in our economic well-being.

O. E. KRAMPF,
Executive Vice President, Aerovox Corp.
L. G. WIGGINS,
Vice President, General Manager, Aerovox Corp.

STATEMENT OF H. WILLIAM TANAKA ON BEHALF OF ELECTRONIC INDUSTRIES ASSOCIATION OF JAPAN IN OPPOSITION TO S. 2539

SUMMARY OF STATEMENT

The Electronic Industries Association of Japan is unalterably opposed to the enactment of S. 2539, a bill introduced by Senator Brooke on October 16, 1967, which provides for the establishment of quotas on the importation of consumer electronic products and electronic components. In our view there is no need for such extraordinary import restrictions. The confusion which would result from attempting to administer the proposed quotas would disrupt normal marketing operations in the United States to the ultimate disadvantage of both the U.S. producer and the American consumer.

In the area of consumer electronic products, the imports have supplemented and complemented domestic production of like or similar products. More importantly, the imports of electronic products, particularly from Japan, have created new markets by providing the American consumer with new products which would not have been available otherwise. The shirt-pocket size transistor radios and moderately-priced tape recorders for entertainment use are illustrative examples. In our judgment, the American consumer, in particular the American children and teenagers, will be the big losers, should the United States Congress enact this quota bill.

We appreciate the opportunity to present the views of the Electronic Industries Association of Japan (EIA-J) on the import quota bills presently pending before the Senate Finance Committee. While all of these bills are of concern to the EIA-J due to their potential effect on world trade, our comments will be directed to S. 2539, a bill introduced by Senator Brooke on October 16, 1967, which provides for the establishment of quotas on the importation of consumer electronic products and electronic components. In our view, there is no need for such extraordinary import restrictions. Furthermore, the inevitable confusion which would result from attempting to administer the proposed quotas would disrupt normal marketing procedures in the United States to the ultimate disadvantage of both U.S. producers and consumers. Finally, like the other quota proposals, S. 2539 threatens to reverse the past thirty years of painstaking efforts toward mutual reduction of trade barriers, and could cause a reversion to the destructive self-defeating trade wars of the early 1930's.

I. ROLE OF IMPORTS

Generally speaking, imports serve to supplement domestic production of like or similar but not necessarily competitive domestic products. In the field of electronics imports have gone far beyond serving the market function of supplementing domestic supply and have created vast new markets where none existed and in which the domestic industry has participated profitably. The shirt pocket size transistor radio and moderate-priced tape records for entertainment use are outstanding illustrations where the imports have created the market and provided the American consumer with new products at reasonable prices. In the absence of imports, these products would not have been

available or, if available, only available at high prices beyond the reach of the average American consumer. More recently, the imports have introduced the first low-priced video tape recorder which is spurring domestic producers to innovate and produce such equipment at substantially lower prices to reach the mass market.

II. THE DOMESTIC ELECTRONIC INDUSTRY

The liberalization of import restrictions often creates anxiety among industries which are fearful of increased competition. Such fears may be understandable when voiced by competitively weak marginal producers. But this is hardly the case with respect to electronics. The giant U.S. industry leads the world in production, sales, and technology; and the industry has made a major contribution to the prosperity of the entire U.S. economy.

The record of the United States electronic industry has been one of constant growth since the end of World War II. Total factory sales have increased steadily from $1.7 billion in 1947 to $20.3 billion in 1966 (Electronic Industries Association, *Yearbook 1967*, Table I). According to the Electronic Industries Association (EIA), all major segments of the industry shared in this growth, with consumer electronics registering the highest percentage gains. 1966 sales of consumer electronic products were up 25 percent to a level of $4.6 billion from 1965. Sales of electronic components totalled $5.6 billion, up 21 percent from 1965. Industrial electronics rose by 16 percent in sales to $4.9 billion, while the Government market expanded by 18 percent reaching $10.1 billion. Although there has been a slight decline in sales of consumer products and components during the first seven months of 1967, (3.6 percent and 2.9 percent respectively), there are signs of an upswing for the balance of the year. The trend in color television sets is of particular importance, since color TV is the leading consumer product. Sales of color sets began to increase after a decline in the early months of this year, and as of July, they were running 8.8 percent above sales in the first seven months of last year. (Electronic Industries Association, Electronic Trends, July 1967, pages 5–7). If this trend continues, color TV sales this year will exceed by a substantial amount the record level of 1966. And the latest information strongly indicates that color TV sets will indeed go over the top. *Television Digest* recently reported that distributor to dealer sales in the first nine months of this year were 14.4 percent above the same period of 1966. Color sales in September totalled 818,927 units—up 33 percent from the previous all time high sales month of December 1966, and early sales report indicate the same 33 percent margin is being maintained in October. (*Television Digest*, October 16, 1967, page 7).

The leading position of the U.S. electronics industry is well illustrated by its export record. The United States enjoys a significant favorable balance in overall trade of electronic products. U.S. exports of selected electronic and related products in 1966 amounted to $1.4 billion, compared with imports of $733 million. (Electronic Industries Association, *Yearbook 1967*, page 2). Components have played an important role in the overall export record of the U.S. industry accounting for 32 percent of total exports during 1966. Total exports of electronic components increased by 34 percent amounting to $440 million, compared with imports of $213 million. Although declines occurred in U.S. exports of some individual products, gains were shown for each of the four major component groupings. During 1966, exports of semiconductors rose 58 percent (to reach $130 million), parts climbed 32 percent (to $128 million), electron tubes increased by 26 percent (to $76 million) and miscellaneous assemblies and related items were up 19 percent (at $107 million). (*Supra* pages 65–66).

During this year the U.S. electronic industry has registered further export gains. The industry's overall balance of trade remains favorable with exports exceeding imports by about 2.5 to 1. Exports increased by 30.5 percent over the first half of 1966 while imports increased by 24.6 percent. The component segment of the industry has maintained its highly favorable trade balance with exports about 2.5 times as high as imports. The rate of increase in component exports for the first half of this year far exceeded the increase in imports. Imports of electron tubes rose by 15.9 percent, but exports of tubes jumped by 42.2 percent. U.S. manufacturers increased their semiconductor export sales by 25.7 percent, compared with an increase in imports of 12.8 percent.

These figures clearly show that the U.S. industry has a vital stake in expanding world trade, and that it has much to lose from the chain reaction of pro-

tectionism in its export market which would inevitably be set off by passage of S. 2539 and the other quota bills.

This fact is recognized by many major American producers who oppose S. 2539, and who have repeatedly spoken out against other protectionist measures. Unlike the proponents of this legislation, they have taken a sophisticated and enlightened view toward international trade. They fully realize the vital importance of export markets to the electronic industry and the U.S. economy as a whole, and they also understand the important role which imports have played in the growth of the American market. The importance of imports was accurately described in a memorandum submitted to the Tariff Commission last year by the Consumer Products Division of the Electronic Industries Association. The description of the marketing strategy of major U.S. producers is a particularly good example of the practical application of Adams Smith theory of comparative advantage.

The memorandum points out that to be successful in the U.S. market, a company must offer to the consumer a full line of products at competitive prices. But few, if any U.S. producers, are in a position to efficiently and economically produce in their own plants the whole line of products and components which the market requires. Consequently, these companies devote their available plant and labor to production of those products and components for which they are best suited and which offer the most efficient and economic production. The balance of their product line and of the necessary components is imported from countries which can produce them most efficiently. (*Memorandum on Behalf of the Consumer Products Division of the Electronic Industries Association*, submitted to the U.S. Tariff Commission in Investigation No. 332–48, November 25, 1966).

Thus, imports of consumer electronic products and components are not adverse to the interest of the U.S. industry. In fact, they have helped U.S. companies to devote their resources to those products to which their advanced technology can be applied in the most advantageous way. The results can be seen in the impressive sales and profits of the major American electronic companies.

This has all been to the benefit of the American consumer. Imports have made a major contribution to the wide variety of reasonably priced electronic products available in the market today. It is generally recognized that Janapese producers were the first to apply the advances of miniaturization to the design of consumer electronic products. Japanese innovations such as the shirt-pocket size transistor radio, the small screen "Minivision" TV set, and the home-video tape recorder, have made a substantial contribution to the expansion of the American market.

Contrary to the allegations which this Committee has heard, the U.S. electronic industry is strong, growing, and has a vital stake in world trade. There is no evidence of disruptive import competition. Manufacturers, both foreign and domestic alike, and the consumers as well, have all benefited from the vigorous growth and variety of the electronics market.

We respectfully submit that S. 2539 will be of lasting benefit to no one. It will only serve to disrupt the normal operations of the market place to the ultimate disadvantage of every one..

III. THE ADMINISTRATIVE PROBLEMS OF S. 2539

It has long been recognised that quotas are the most virulent and disruptive methods of protectionism. While tariffs raise the price of imported products, they do not impose an arbitrary ceiling on imports. Tariffs are simply another item in the cost of a product, and businessmen can adjust to cost factors in planning their operations. But arbitrary limitations on supply are always a serious obstacle to rational business planning, and experience has shown that it is nearly impossible to administer quotas in a fair and equitable manner. S. 2539 is a prime example of the inherent inequity of any quota. Passage of this bill would undoubtedly create an administrative nightmare for both Government and business.

The ambiguities of S. 2539 are of particular concern. The bill would establish an overall quota by quantity and value on imports of finished consumer electronic products based on imports in 1966, and another overall quota by total quantity and value on electronic components based on the average annual imports during the years 1964–66. These quotas are to be increased or decreased proportionate to the change in total U.S. consumption during the preceding calendar year in comparison with the base year. This provision is fraught with uncertainty and would

make rational business planning nearly impossible. It usually takes several months to compile statistics for the total annual consumption of any product, by the time these figures are compiled and the Secretary determines the appropriate quotas for a given year, half of that year may have already expired. It takes little imagination to picture the chaos as importers scramble for a share of the remaining quota, if indeed there is any to divide.

The uncertainties are multiplied by Section 4 which directs the Secretary of Commerce to allocate the quotas among supplying countries by category of products on the basis of the shares such countries supplied by category of products to the United States market "during a representative period." The bill provides no standards for defining this term or for the provision that "due account may be given to special factors which have affected or may affect the trade in any category of such articles." Thus, the specific quotas for any category of consumer products or components are left in doubt.

Experience has shown the need for judicial review of administrative actions, particularly where an agency is acting under a broad ambiguous grant of power. Yet, Section 8 of S. 2539 provides that all determinations by the President and the Secretary of Commerce shall be final, thereby denying appeal to the courts.

Due to the fact that S. 2539 was first introduced on Monday of this week, there has not been sufficient time for a detailed analysis. There may be other serious deficiencies in the legislation, and we would appreciate the opportunity to submit additional comments at a later date.

But the foregoing analysis should indicate the broad dimensions of the potential impact of this bill. S. 2539 would simply disrupt the entire system of production shipment and distribution to the detriment of the whole American market.

IV. THE BROADER IMPLICATIONS OF IMPORT QUOTAS

The long-term effects of S. 2539 and the other quota bills are obvious to all. Simply stated, it would be a tragedy for the entire free world. It would revert the efforts for liberalizing world trade in which the United States has played a leading role since the days of Cordell Hull. In today's closely interrelated world, no modern industrialized nation can retreat behind the wall of protectionism without worldwide repercussions. This is above all true with respect to the United States, the most important single trading nation, and the leader of the Free World.

The effect of such a policy has been fully described in the testimony of Secretaries Rusk, Trowbridge, Udall, Wirtz, Freeman and Ambassador Roth. Enactment of quota restrictions such as those provided in S. 2539 would set off a chain reaction of retaliation and counter-retalation which would plunge the Free World into a repetition of the trade wars of the 1930's. We feel it is no exaggeration to say that the ultimate result would be to gravely weaken the economic and political strength of the Free World.

STATEMENT OF EDWARD W. BUTLER, CHAIRMAN, PARTS DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION, IN SUPPORT OF A BILL TO PROVIDE FOR AN EQUITABLE SHARING OF THE U.S. MARKET BY ELECTRONIC ARTICLES OF DOMESTIC AND OF FOREIGN ORIGIN

Mr. Chairman and Members of the Committee, my name is Edward W. Butler. I appear here in my capacity as Chairman of the Parts Division, Electronic Industries Association, on behalf of domestic manufacturers of electronic components. Imports of consumer electronic products—largest volume users of electronic components—and of the components themselves have claimed such a large share of the American market that serious losses of jobs in this country have occurred and are increasing.

An understanding of the seriousness of this problem must begin with attention to the penetration of the United States market by consumer electronic products made abroad, chiefly in the low-wage nations of Asia.

RADIOS

Between 1958 and 1966, factory sales of U.S.-produced home radios increased from 9,081 thousand units to 11,999 thousand units, or 32.1 per cent. Imports of home radios increased during the same period from 2,593 thousand to 25,785 thousand, or 894.4 per cent.

The total U.S. market for home radios increased from 11,674 thousand in 1958 to 37,784 thousand in 1966, or 223.7 per cent. Domestic production rose only 32 per cent, while imports soared by nearly 900 per cent. Of the absolute increase in the number of home radios sold, 1966 compared with 1958, of 26,110 thousand units, imports supplied 23,192 thousand, or 88.8 per cent.

During this period, the U.S. manufacturers of radios, whose tariff protection had been reduced from the statutory rate of 35 per cent down to the trade agreement rate of 12.5 per cent, found themselves unable to compete with the foreign producers (chiefly Japan), and they turned increasingly to imports: they shifted an increasing proportion of their requirements for components to foreign sources; and they turned increasingly to the manufacture abroad of complete radios to be marketed in the United States under their own brand names. U.S. brand name imports of radios increased from 23 thousand in 1958 to 4,639 thousand units in 1966, up sharply from 1,750 thousand brand name radio imports in 1965.

TELEVISION SETS

Import data for television sets were not reported until July 1962. (Prior thereto imports of television receiving sets were included in a statistical category which covered all television apparatus and parts.) Between 1963, the first full year for which import data are available, and 1966, imports of black and white television receiving sets increased from 391 thousand to 1,384 thousand sets, or 254.0 per cent. Factory sales of U.S.-produced black and white television sets declined from 6,845 thousand sets to 6,178 thousand, a decrease of 9.7 per cent during the same period.

The total U.S. market for black and white television sets increased from 7,236 thousand sets in 1963 to 7,562 thousand sets in 1966, or 4.5 per cent. Domestic production declined by 10 per cent, while imports rose by more than 250 per cent. Of the absolute increase of 326 thousand sets sold in the domestic market in 1966 compared with 1963, imports supplied the entire amount, while displacing 667 thousand units of the share previously supplied from domestic sources.

As in the case of radios, the manufacturers of black and white television sets have turned increasingly to the use of imported components, and to the manufacture abroad of sets to be sold under their brand names in the United States. In 1963, U.S. manufacturers imported 174 thousand black and white television sets for sale under their brand names; by 1966, this number had risen to 1,011 thousand, 73 per cent of total imports of black and white television sets that year.

The pattern is being repeated in color television sets, now the most dynamic sector of the consumer electronics market. Though official data on color television set imports did not become available until January 1967, industry sources have estimated that 240,000 sets were imported in 1966. During the first quarter of 1967, a total of 66 thousand large screen color television sets were imported, somewhat above the 1966 annual rate. Indeed, in the month of March alone, 35 thousand large screen sets were imported from Japan at an average unit value of $176.78, far below the low end of the price bracket of U.S.-produced sets at about $300.

The U.S. import duty on television sets is even lower than on radios, currently 10 per cent.

PHONOGRAPHS

The first full year for which import data are separately reported for phonographs and record players is 1964. Imports of phonographs, record players, and record changers increased from 2,357 thousand units in 1964 to 4,091 thousand in 1966, or 73.6 per cent.[1] Factory sales of phonographs and record players increased from 5,159 thousand units in 1964 to 6,303 thousand in 1966, or 22.2 per cent.

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[1] The import statistics did not separate record changers from record players during this period. Literally speaking, the reference to phonographs and record players for factory sales is not exactly equivalent to phonographs, record players, and record changers for imports. Beginning in January 1967, such a separation is made. For the first quarter of 1967, the average unit value of phonograph and record player imports (other than stereo) is $11.81, and that of record changers is $11.70. Hence, it is believed that the units are substantially equivalent for comparison purposes in this analysis.

The total U.S. market for phonographs and record players increased from 7,516 thousand units in 1964 to 10,394 thousand units in 1966, or 38.3 per cent. Domestic production was significantly below this rate of growth, at 22 per cent, while imports rose far more rapidly, at 74 per cent. Of the absolute increase in domestic consumption of 2,878 thousand units, imports supplied 1,734 thousand units, or 60.2 per cent. While a significant part of the imports of phonographs, record players, and record changers originates in the United Kingdom and EEC countries, nevertheless $16.6 million of the total value of 1966 imports of $46.7 million, or 35.5 per cent, originated in Japan.

U.S. manufacturers of phonographs and record players have been forced to turn increasingly both to the use of imported components, including record changers, motors, loudspeakers, tone-arms, and the active and passive components needed in their amplifier and audio circuits, and to the complete manufacture of the phonographs and record players abroad for sale under U.S. brand names. In common with manufacturers of other consumer electronic products, the domestic producers of phonographs and record players are being forced by our low level of import duties, 11.5 per cent, to transfer a growing part of the manufacturing effort for their product abroad.

TAPE RECORDERS

The domestic market for tape recorders is dominated to the point of being almost overwhelmed by imports, chiefly Japanese, though some 20 foreign countries participate in this market. Between 1960 and 1966, the total U.S. market (including imports) increased from 295 thousand units to 3,675 thousand units, or 1457.6 per cent. Domestic production supplied 85 thousands units in 1960, rising to 868 thousand in 1966, while imports rose from 210 thousand units in 1960 to 2,807 thousand in 1966. The domestic market grew by 3,380 thousand units between 1960 and 1966, and imports supplied 2,597 thousand of these units, or 76.8 per cent of the growth in the market. The 11.5 per cent import duty is clearly inadequate to give domestic production reasonable access to the growth in the American market.

As in the case of the other consumer electronic products, the producers of tape recorders have fought the rear guard economic battle against low-wage foreign competition: first by the use of an increasing amount of foreign-produced components, such as motors, loudspeakers, and electronic circuit components; second, by the importation of complete units for sale in the United States under their American brand names. The latter course has been less marked than in the case of radios, tlevisions, and phonographs. From a total of 15 thousand units imported under U.S. brand names in 1960, domestic firms increased their use of foreign-produced tape recorders to 100 thousand units in 1965, and 285 thousand units in 1966.

The import trends described above have had deadly effect on the domestic industry producting electronic components for use in consumer electronic products. The rapidly rising share of the domestic market captured by imports has been shown by the experience of these past years to be lost forever to American producers. The first impact is registered on components producers when the consumer products manufacturer shifts from an American to a foreign source of supply for purchased components in a determined effort to lower his U.S. production costs. Since a sizable part of his costs of production is represented by labor inputs, the shaving of costs achieved through use of cheaper foreign components can go only so far in helping to meet foreign competition. Usually it is not far enough, and American firms turn to the purchase of completely manufactured consumer products from Japan, Hong Kong, Taiwan, Singapore, or Korea for sale under their U.S. brand name, permanently displacing their American production of such units. Some companies continue the mix of foreign with domestic components for the assembly of some finished products in the United States, while importing complete units for other portions of their product line.

The implications for American labor are clear. Investment opportunities can attract capital across national boundaries, but existing facilities and the jobs connected with their use are left behind. In this sense every opportunity gained through foreign operations is an opportunity lost for the American workingman and his community.

Unlike the manufacturer of finished consumer electronic products, the manufacturer of electronic components cannot "escape" from the impact of unregulated imports by transferring the source of his purchased materials abroad, since these are largely in the form of raw materials or semimanufactured goods, where there is no significant economic advantage in a foreign source. Furthermore, as the National Commission on Technology, Automation, and Economic Progress recognized in its recent report,[3] while the manufacture of radio and television receiving sets is amenable to automatic assembly, the manufacture of electronic components is not.

The U.S. components manufacturer thus experiences the double blow of lost sales of components for those consumer electronic products still being assembled in the United States, and an entire loss of sales opportunity in relation to those consumer products whose manufacture has been transferred entirely abroad.

To show the full extent of this compound injury, and the rapid rate at which it is increasing in severity, let us turn next in this analysis to a consideration of the total direct and indirect importation of electronic components; that is, the quantities imported as part of finished units whose manufacture has been transferred abroad from the United States plus the quantities of components imported by U.S. manufacturers for use in their remaining operations in manufacturing consumer electronic products in the United States.

For this purpose, we have had an analysis made of the number and classes of electronic components contained in the following consumer electronic products imported into the United States in the years 1964 and 1966, and at an annual rate in 1967 based on the first seven months:

Television receiving sets
Transistor radios
Radio-phonograph combinations
Radios, other
Phonographs and record players
Rim drive tape recorders
Citizens band tranceivers

The "Component Part Equivalent" of Imported Consumer Electronic Products

The quantities of electronic components contained in U.S. imports of the above-listed consumer electronic products in comparison with direct imports of such components during the years 1964 and 1966, and at the annual rate for 1967 established by imports for the first 7 months, are set forth in the following tabulation:

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[3] Appendix Volume I, The Report of the Commission, February 1966, Table 26, p. I-352.

TABLE 1.—U.S. IMPORTS OF ELECTRONIC COMPONENTS, AND THE ELECTRONIC COMPONENT EQUIVALENT OF U.S. IMPORTS OF SELECTED CONSUMER ELECTRONIC PRODUCTS, 1964 AND 1966, AND 1967 (ANNUAL RATE)

Class of components	1964 (thousands)	1966 (thousands)	Percent change, 1964–66	1967 (annual rate, thousands)[1]
Receiving tubes:				
As end items	19,162	30,218	57.7	27,422
As tubes	48,553	81,572	68.0	59,693
Total	67,715	111,790	65.1	87,115
TV picture tubes:				
As end items	715	1,524	113.1	1,150
As tubes	95	103	8.4	265
Total	810	1,627	100.9	1,415
Transistors:				
As end items	108,004	419,693	288.6	203,434
As transistors	43,918	261,945	524.9	266,175
Total	149,922	681,638	354.7	469,609
Rectifiers and diodes:				
As end items	70,685	124,098	75.6	109,872
As rectifiers and diodes	34,943	259,658	643.1	351,065
Total	105,628	383,756	263.3	460,937
Capacitors, electrolytic:				
As end items	169,810	352,271	107.4	273,507
As capacitors	30,000	265,000	783.3	246,674
Total	199,810	617,271	208.9	520,181
Capacitors, fixed:				
As end items	538,148	1,081,756	101.0	860,606
As capacitors	247,484	534,341	115.9	541,553
Total	785,632	1,616,097	105.7	1,402,159
Controls:				
As end items	32,538	68,823	111.5	53,743
As controls	23,023	101,027	338.8	26,822
Total	55,561	169,850	205.7	80,565
Resistors, fixed:				
As end items	713,430	1,475,525	106.8	1,155,643
As resistors	305,884	902,073	194.9	913,037
Total	1,019,314	2,377,598	133.2	2,068,680
Inductors:				
As end items	213,248	437,811	105.3	343,210
As inductors	(2)	(2)	....	(2)
Transformers:				
As end items	28,034	57,922	106.6	47,182
As transformers	18,467	56,013	203.3	41,535
Total	46,501	113,935	145.0	88,717
Loudspeakers:				
As end items	17,169	35,907	109.1	27,336
As loudspeakers	8,164	19,593	140.0	15,271
Total	25,333	55,500	119.1	42,607
Motors, fractional horsepower:				
As end items	4,550	7,386	62.3	5,181
As motors	26,061	38,397	47.3	22,845
Total	30,611	45,783	49.6	28,026
Record changers:				
As end items	464	1,523	228.2	1,512
As record changers	1,842	3,055	65.8	1,855
Total	2,306	4,578	98.5	3,367

[1] Based on 1st 7 months.
[2] Not available.

The volume and rate of increase shown for *each* class of electronic components are alarming. Notwithstanding a sharp downturn in the sales of consumer electronic products, and of domestic components for use in manufacture of such sets, in 1967, the total quantities of components imported have remained above 1964; and in many categories, the components imported as such have increased over the peak level of 1966. The data depict almost a "runaway" import situation. U.S. import duties are obviously woefully inadequate to regulate or slow the rate of increase of either the components or the products in which they are used.

Import Displacement of Domestic Production in the U.S. Electronic Components Market

The direct and indirect displacement of domestic components from the American market by the volumes of imported items shown in the foregoing table is major in dimension, and profoundly disturbing in its economic implications. To place this aspect of the matter into perspective, the following tabulation comparing the volume of imported components with U.S. commercial production is presented.

Data for the full calendar year 1966, and for the year 1967 at an annual rate based on the first seven months, are presented. The domestic market for electronic components has been seriously depressed in 1967, with the dollar value of orders received for parts for the first seven months being only 78.4 per cent of that received during the comparable period of 1966, as reported by the Marketing Services Department, Electronic Industries Association. Thus, the U.S. market for electronic components is down 21.6 per cent compared with 1966.

(Because of the very low unit value of imported electronic components, which originate primarily in Asiatic countries, an attempted analysis of the penetration by imports of the domestic market based upon the value of imported versus domestic goods would significantly understate the share of the market captured by imports and the displacement effect on domestic production. Consequently, statistics of the quantity of electronic components imported are presented and used in this analysis rather than value.)

TABLE 2. U.S. DIRECT AND INDIRECT IMPORTS OF ELECTRONIC COMPONENTS, COMPARED WITH U.S. COMMERCIAL PRODUCTION, 1966 AND 1967 (ANNUAL RATE)

Component	Total imports (in thousands of units)		U.S. commercial production			Ratio of imports to commercial production (percent)	
	1966	1967 [1]	1966 (in thousands of units)	1967 [1] (in thousands of units)	Percent change	1966	1967 [1]
Receiving tubes	111,790	87,115	405,949	282,180	−30.5	27.5	30.9
TV picture tubes	1,627	1,415	13,199	9,293	−29.6	12.3	15.2
Transistors	681,638	469,609	348,113	218,822	−37.1	195.8	215.2
Rectifiers and diodes	383,756	460,937	1,266,300	1,049,482	−17.1	30.3	43.9
Capacitors, electrolytic	617,271	520,181	446,284	340,946	−23.6	138.3	152.6
Capacitors, fixed	1,616,097	1,402,159	2,993,220	1,961,465	−34.5	54.0	71.5
Controls	169,850	80,565	255,942	230,530	−9.9	66.4	34.9
Resistors, fixed	2,377,598	2,068,680	4,630,303	4,444,800	−4.0	51.3	46.5
Transformers	113,935	88,717	171,122	161,823	−5.4	66.6	54.8
Loudspeakers	55,500	42,607	68,374	56,067	−18.0	81.2	76.0
Record changers	4,578	3,367	8,900	8,223	−7.6	51.4	40.9

[1] Annual rate based on first 7 months.

The depressed U.S. market conditions in 1967 have caused both U.S. production and imports to decline. Production has declined more rapidly than imports in most categories of components, as shown by the increase in the ratio of imports to production, 1967 compared with 1966, for the first 6 categories of components listed. In all categories the import share of the market remains very high.

The total market penetration by imports of electronic components disclosed by the foregoing table is far greater than that which existed in residual fuel oil imports (10%) when quotas were imposed by Presidential action under the national security provision of the trade agreements legislation in 1958, and in cotton textiles (5.2%) when the Short-Term and Long-Term Cotton Textile Arrangements were negotiated under the initiative of the President in 1961, and

(10%) renewed in 1967. We do not quarrel with these actions: they were proper and were carried out without serious disruption of our Nation's foreign relations. We ask for similar consideration for the regulation of imports of electronic components and their derivatives.

Certainly our Nation's stake in employment in the elctronic components industry is as great as it is in cotton textile mill products. Total employment in electronic components (Industry S.I.C. 367) in August 1967 stood at 347.1 thousand workers, down sharply by 45.1 thousand jobs from 392.2 thousand in August 1966. By contrast, cotton broadwoven fabrics (S.I.C. 221) employed 236.1 thousand workers in August 1967, down by 2.4 thousand jobs from 238.5 thousand in August 1966. As for petroleum refining (S.I.C. 291), employment in August 1967 was 156.9 thousand workers, up 4.5 thousand jobs from August 1966's total of 152.4 thousand workers.

So the electronic components industry provides more jobs than either cotton textile mill products or petroleum refining, and has been hit the hardest by unfavorable import and employment trends.

The great majority of the States in the Nation will be benefited by Congressional action to achieve control over future growth in electronic products imports. The electronic components industry is located in 40 States and had in 1966 a total of 364,183 employees working in 2,142 establishments distributed throughout these 40 States.

The consumer electronic product manufacturing plants, which are the principal source of demand in the United States for the classes of electronic components discussed in this statement, are by contrast located in 21 States of the Nation. The consumer electronic products industry in 1966 had a total of 126,258 employees working in 636 establishments in these 21 States. (See Exhibit 1 attached hereto.)

By comparing these figures, you can see that in 1966 there were approximately three times as many Americans employed in the electronic components industry as in the consumer electronic products industry. These component workers were employed in over three times as many plants as workers in the consumer products industry, and the plants in which they worked are located in twice as many States as the consumer electronic products industry plants.

Electronic component manufacturing is much more labor intensive (and, hence, more vulnerable to the low-wage cost competition of Asiatic imports) than either cotton textile mill products or petroleum refining; indeed, electronic component manufacturing is far more labor intensive than the average of all manufacturing industries in the United States. These facts are shown by the following table:

TABLE 3

	Payroll as a percent of—	
	Value of shipments	Value added by manufacture
All manufacturing establishments	22.2	48.7
Cotton broadwoven fabrics, SIC 2211	24.8	61.4
Petroleum refining, SIC 2911	5.6	29.4
Electronic components, SIC 367	38.6	62.0
Receiving tubes, SIC 3671	42.6	64.6
Semiconductors,[1] SIC 3674	46.7	66.0
Capacitors,[1] SIC 36792	38.5	56.5
Resistors,[1] SIC 36793	40.5	54.4
Coils, transformers, reactors, and chokes, SIC 36794	39.0	70.1
Fractional horsepower motors,[1] SIC 36211	28.6	50.9

[1] Establishments with 90 percent or more specialization.

Source: U.S. Department of Commerce, 1963 Census of Manufactures.

The Job Equivalent of Imports of Electronic Components

To determine the probable job equivalent of imports of electronic components, it is necessary to convert the numbers of units of the various classes of components imported to domestic counterpart value, and then apply domestic output per worker factors to that value. This is done in the following tabulation.

TABLE 4.—PRODUCTION WORKER JOB EQUIVALENT AT U.S. VALUE OF IMPORTS OF SELECTED ELECTRONIC COMPONENTS

Class of component	1966 imports (thousands)	1966 domestic unit value	Constructed U.S. value of imports (thousands)	1965 output per production worker, United States	Production worker job equivalent, imports
Receiving tubes	111,790	$0.640	$71,545.6	$15,146	4,724
TV picture tubes	1,627	16.260	26,455.0	40,079	660
Transistors	681,638	.305	207,899.6	17,285	12,028
Rectifiers and diodes	383,756	.209	80,205.0	17,285	4,640
Capacitors, electrolytic	617,271	.437	269,747.4	[1] 12,825	21,032
Capacitors, fixed	1,616,097	.064	103,430.2	[1] 12,825	8,064
Controls	169,850	.374	63,523.9	[2] 12,355	5,141
Resistors, fixed	2,377,598	.034	80,838.3	[3] 16,662	4,851
Transformers	113,935	1.192	135,810.5	[2] 12,355	10,992
Loudspeakers	55,500	1.452	80,586.0	[4] 18,906	4,262
Record changers	4,578	[5] 11.330	51,868.7	[4] 18,906	2,743
Motors, fractional horsepower	45,783	[5] .275	12,590.3	[6] 20,089	626
Total			1,134,500.5		79,763

[1] Output per production worker based on data in table 8, Report MC63(2)-36D, 1963 Census of Manufactures, for SIC 36792, "Capacitors for Electronic Applications," for establishments with 90 percent of more of product specialization.

[2] Ibid., SIC 36794, "Coils, Transformers, Reactors, and Chokes for Electronic Applications," for establishments with 90 percent ot more of product specialization.

[3] Ibid., SIC 36793, "Resistors for Electronic Applications," for establishments with 90 percent or more of product specialization.

[4] Ibid., SIC 36513, "Recorders, Audio Amplifiers, Phonographs, Tuners, Speaker Systems, and Other Audio Equipment and Accessories," for establishments with 90 percent or more of product specialization.

[5] Average unit value of imports used in the absence of domestic unit value data.

[6] Ibid., MC63(2)-36A, SIC 36211, "Fractional Horsepower Motors," for establishment with 90 percent or more of product specialization.

Note: Except as noted above, output per production worker is the value of shipments (table 1, M65AS-2) divided by number of production workers for the 4-digit standard industrial classification in which the component is included (table 1, M65AS-1), as reported in U.S. Department of Commerce, "Annual Survey of Manufactures, 1965.

The above table indicates that if the electronic component usage in the domestic market in 1966 supplied by imports had been supplied by components of domestic manufacture, the value of the additional production which would have resulted for the domestic producers of these components would have required an additional 79,763 *production workers.*

In addition to these production worker jobs, there would, of course, have also been generated additional jobs in the selling and advertising, general and administrative activities required to support the production effort. In 1965, the average ratio of white collar to blue collar jobs in the electronic components industry was 0.2844. Hence, it would have generated an additional 22,684 white collar jobs to support the 79,763 production workers needed to produce the electronic components supplied by imports.

It is fair to say, therefore, that the participation by foreign industry in supplying electronic components primarily for consumer electronic products sold in the American market in 1966 represented the equivalent of 102,447 jobs which without imports, and at the same level of final demand for the finished electronic products, would have been filled by American workingmen. These 102,447 jobs would have increased the work force in the electronic components industry by 27 per cent in 1966 (from an average employment of 374.2 thousand workers as reported by the Bureau of Labor Statistics for industry SIC 367 to 476.6 thousand).

The members of the Parts Division of the Electronic Industries Association do not, of course, advocate a situation in which all participation by foreign producers in supplying the American market with electronic products and components is eliminated. The measure of the total jobs involved in just the electronic components sector for the products discussed is offered to indicate that some *sharing of the growth* in the American market by imports and by articles of domestic manufacture is in our national interest.

As the data previously supplied concerning the growth of imports compared with the total growth in the American market for consumer electronic products demonstrate, virtually all or the lion's share of the growth in this market is being supplied by *finished products made abroad.* A large part of the small share of the

growth in the market still supplied by domestic manufacture of consumer electronic products is being met through the use of imported components. The share of the market left for products made in America using components made in America is small indeed.

Is there any compelling logic in a situation in which virtually all growth in the United States market is committed to foreign producers to the exclusion of American firms employing American labor? It is to supply perspective for this question that the 102,447 job loss figure has been developed. If imports of consumer electronic products and of components had been reduced to 150 per cent of the 1964 level in 1966, the additional jobs that would have been generated in the domestic components industry, 43,810, would have nearly offset the loss of 45.1 thousand jobs which has been sustained in the industry since August 1966.

Exports Versus Imports: Our Burgeoning Trade Defict in Electronic Components

To complete this analysis of the impact of foreign trade on employment in the electronic components industry, we must, of course, examine the relationship of U.S. *exports* of consumer electronic products and of electronic components to the import tide. This is done in the following tabulation.

TABLE 5.—U.S. BALANCE OF TRADE IN SELECTED CONSUMER ELECTRONIC PRODUCTS AND IN SELECTED ELECTRONIC COMPONENTS: DIRECT EXPORTS VERSUS DIRECT IMPORTS, 1964, 1966

[In thousands of units]

	Exports	Imports	Balance of trade
CONSUMER ELECTRONIC PRODUCTS			
TV receiving sets:			
1964	368	715	−347
1966	167	1,524	−1,357
Radio receiving sets:			
1964	392	13,757	−13,365
1966	356	25,958	−25,602
Phonographs (including record players and record changers):			
1964	31	2,357	−2,326
1966	34	4,091	−4,057
ELECTRONIC COMPONENTS			
Receiving tubes:			
1964	20,430	48,553	−28,123
1966	19,335	81,572	−62,237
TV picture tubes:			
1964	549	95	454
1966	[1] 808	103	[1] 705
Transistors:			
1964	17,822	41,918	−24,096
1966	72,478	261,945	−189,467
Rectifiers and diodes:			
1964	19,200	34,943	−15,743
1966	54,300	259,658	−205,358
Capacitors, electrolytic:			
1964	17,390	30,000	−12,610
1966	20,577	265,000	−244,423
Capacitors, fixed:			
1964	61,657	247,485	−185,828
1966	89,995	534,341	−444,346
Controls:			
1964	10,000	23,023	−13,023
1966	18,800	101,027	−82,227
Resistors, fixed:			
1964	50,000	305,884	−255,884
1966	100,000	902,073	−802,073
Transformers:			
1964	2,361	18,467	−16,106
1966	4,082	56,013	−51,931
Loudspeakers:			
1964	287	8,164	−7,877
1966	729	19,593	−18,864

[1] So reported by the Bureau of the Census: the figure, however, is believed to be in error. Trade sources estimate that not more than 100,000 color TV picture tubes were exported in 1966. There were 251,000 black and white TV picture tubes exported in 1966.

Note: Data on exports of motors, record changers, and tape recorders (entertainment type) are unavailable.

Balance of trade data in terms of units are more important than those in terms of value in determining the probable effect of trade balance trends on the domestic production of electronic components. The great difference in unit value of foreign vs. domestic consumer electronic products and components makes trade balance figures in value terms grossly misleading in any appraisal of the impact of foreign trade on domestic output and employment. Hence, the above balance of trade data are given in terms of the physical units involved rather than their value.

In the consumer electronic products which utilize electronic components, our Nation had an absolute deficit in each major category in both 1964 and 1966, and dramatically, the deficit worsened in a great jump between the two years.

Clearly, therefore, U.S. exports of these consumer electronic products offered no expansionary outlet for consumption of domestically produced electronic components (even assuming that domestic rather than imported components would have been used in the manufacture of finished electronic products for export; not an acceptable assumption in view of the data already presented in this statement, and the further incentive to use imported components which the privilege of drawback of customs duties on foreign components used in the manufacture of goods for export affords).

Against this data background of a sharp contraction of export trade in consumer electronic products, and the burgeoning deficit in U.S. foreign trade in these products, we must carefully note that *in each of the categories of electronic components* (except TV picture tubes) *there exists a trade deficit of major proportions which more than doubled between 1964 and 1966.*

It is obvious from these data that the export trade offers no escape for utilization of the electronic component plant investment and workers idled by the massive volumes and staggering increases in imports of both consumer electronic products and of electronic components used in the manufacturer of such products.

This is primarily an Asian problem, and is a function of the low wages and the low-cost bias of the standards of living prevailing in Asian countries. This is reflected in the following trade balance data in dollar terms, showing the origin and destination of imports and exports of the major categories of consumer electronic products and of electronic components.

TABLE 6.—U.S. TRADE IN SELECTED ELECTRONIC PRODUCTS BY WORLD GEOGRAPHIC REGIONS, 1964 AND 1966

[Dollar amounts in thousands]

Article	Western Hemisphere		Europe		Asia and Australia/Asia		World total		
	Imports (from)	Exports (to)	Imports (from)	Exports (to)	Imports (from)	Exports (to)	Imports (from)	Exports (to)	Balance of trade
TV sets:									
1964	$185	$12,760	$107	$883	$35,961	$80	$36,261	$23,295	−$13,066
1966	$9,547	$24,384	$159	$415	$106,027	$1,324	$115,733	$26,291	−$89,442
Percent change							+219.2	+12.9	−584.5
Radios:									
1964 [1]	$3,448	$2,115	$7,895	$785	$87,408	$75	$104,093	$7,289	−$93,804
1966	$3,585	$7,227	$6,970	$1,983	$150,170	$415	$160,875	$10,289	−$150,586
Percent change							+50.1	+41.2	−60.5
TV picture tubes:									
1964	$53	$857	$95	$6,551	$592	$124	$739	$11,210	+$10,471
1966	$102	$12,277	$2,156	$3,024	$4,611	$512	$6,869	$15,978	+$9,109
Percent change							+829.5	+42.5	−13.0
Receiving tubes:									
1964	$394	$6,067	$7,076	$2,950	$7,737	$314	$15,211	$14,591	−$620
1966	$1,576	$10,152	$11,152	$4,629	$20,599	$1,818	$33,327	$16,919	−$16,408
Percent change							+119.1	+16.0	−2,546.5
Transistors:									
1964 [2]	$38	$975	$2,023	$31,398	$3,560	$2,766	$5,632	$46,356	+$40,724
1966	$311	$7,040	$13,072	$37,041	$15,273	$9,320	$28,656	$54,054	+$25,398
Percent change							+408.8	+16.6	−37.6
Other semiconductors:									
1964	$188	(3)	$1,243	(3)	$1,339	(3)	$2,780	(3)	
1966	$427	$8,324	$2,537	$44,585	$10,626	$21,728	$13,590	$76,258	+$62,668
Percent change							+388.8		
Capacitors:									
1964	$103	$5,252	$2,429	$8,218	$5,632	$124	$8,331	$16,293	+$7,962
1966	$448	$6,794	$6,273	$12,398	$17,678	$1,415	$24,846	$21,145	−$3,701
Percent change							+198.2	+29.8	
Resistors:									
1964	$388	$3,790	$2,256	$10,069	$1,116	$253	$3,821	$15,686	+$11,865
1966	$1,890	$11,684	$6,816	$15,303	$3,708	$2,211	$12,409	$29,468	+$17,059
Percent change							+224.8	+87.9	+43.8
Total:									
1964 [4]	$4,797	$31,816	$23,114	$60,827	$143,345	$3,736	$173,868	$134,720	−$39,148
1966	$17,886	$88,882	$49,135	$119,388	$328,687	$38,743	$396,305	$250,402	−$145,903
Percent change							+127.9	+85.9	−272.7

[1] Exports to Western Hemisphere, Europe, and Asia, and Australia/Asia are home-type radios only. (World total of home-type radios in 1964, 4,757.)
[2] Exports include diodes and transistors.
[3] Not available.
[4] Export data on semiconductors and radios incomplete. (However, world total includes complete radio exports.)

The United States consumer electronic products industry and the components industry are able to do very well in their trade with Western Hemisphere countries and with Europe. The low-wage competitive advantage of the Asiatic countries is so decisive, however, that the enormous trade deficit generated in U.S. trade with those countries more than wipes out the trade surplus realized in trade between the United States and Western nations.

Asiatic countries supplied 83 per cent of U. S. imports in the above categories in 1966, but purchased only 15 per cent of U. S. exports. If U. S. imports of these products in 1966 were by quota placed at 150 percent of 1964 imports, the resulting dollar value of imports—$260.8 million—would have reduced the U.S. balance of trade deficit to a modest $10.4 million, aiding the U.S. balance of payments crisis by $135.5 million.

A moderate remedy for this serious problem consistent with our full employment and balance of payments interests would thus still leave the foreign countries in the possession of a quarter billion dollar position in the U. S. consumer electronic and components market. The remedy is not drastic, but the beneficial results for American industry and our Nation's balance of payments would be profound.

Need for Legislation To Provide Equitable Access for U.S. Products to the U.S. Electronics Market

From the data presented in the above sections of this statement, it is quite evident that the penetration of the United States market by foreign-produced consumer electronic products and their electronic components has reached such proportions and these imports are increasing at such an alarming rate that some effective regulation of these imports is required—

1. To retain a reasonable share of the United States market in these electronic products for domestic manufacturers;
2. To preserve the investment in plant and equipment of these domestic producers; and
3. To stem the mounting loss of employment which is occurring in these segments of the domestic industry.

Unwise Reductions of U.S. Duties on Consumer Electronic Products and Components

The actions of our Government with respect to U.S. level of duties on consumer electronic products as well as electronic components have caused or contributed in a major way to the foreign trade dilemma of the U. S. electronic components industry.

First, U. S. import duties on consumer electronic products have been unwisely reduced, without regard to the effect on domestic employment and investment, from the statutory rate of 35 per cent to 10 per cent on TV sets; 11.5 per cent on phonographs, record players, and tape recorders; and 12.5 per cent on radios. In the Kennedy Round, these rates were further reduced as follows: television receiving sets, now the principal sector of demand in the United States for the purchase of electronic components, to 5 per cent; phonographs, record players, and tape recorders, to 5.5 per cent; and radio receiving sets other than solid state, to 6 per cent.

Japan, our principal competitor, has kept her import duties at much higher levels: 25 per cent to 30 per cent on TV sets, 35 per cent on radios, and 15 per cent on phonographs and record players. The EEC's Common External Tariff is 22 per cent on TV sets and radios, and 15 per cent on phonographs and record players, but these duties are applied to the landed cost of the merchandise in Europe which is at least 10 per cent to 15 per cent higher than the f.o.b. U.S. value. In addition, the Common Market countries impose border taxes ranging from 6 per cent in Germany to 33 percent in France, while Japan imposes a commodity tax of 20 per cent or 30 per cent, which operates like a border tax. The Kennedy Round left the frontier taxes unimpaired.

Second, U.S. import duties on electronic components have been slashed just as deeply as on consumer electronic products: from the statutory rate of 35 per cent on all components to 10 per cent on television parts; 11.5 per cent on phonograph and record player parts; and, under administrative practice, to 12.5 per cent on capacitors, resistors, receiving tubes, transistors, and other semiconductors, and 15 per cent for loudspeakers. In the Kennedy Round, these rates were further reduced as follows: television parts to 5 per cent, phonograph and record player parts to 5.5 per cent, capacitors to 10 per cent, resistors to 6 per cent, loudspeakers to 7.5 per cent, and receiving tubes and transistors to 6 per cent.

Japan has maintained her duties at 20 per cent for television and radio parts; 15 per cent to 30 per cent on receiving tubes; 15 per cent to 20 per cent on semiconductors; and 15 per cent for capacitors, resistors, and loudspeakers. In addition, Japan imposes a commodity tax of 20 per cent to 30 per cent on these products whose effect is much like the border taxes imposed on imports by European countries.

Finally, European nations have restrictions against Asiatic imports which so severely limit such imports that the European markets are virtually closed to Asiatic goods. Thus, the United States market becomes the principal target for low-wage paying Asiatic producers of consumer electronic products and electronic components.

The U.S. Government has not published the full list of concessions granted by other nations in the Kennedy Round. It has published, however, a volume listing "Concessions of Interest to the United States" granted by other nations. This shows that in the area of consumer electronic products and electronic components of the types used in the manufacture of such products only the following "concessions of interest to the United States" were granted by other nations:

Country	Concessions of interest to the United States	Duty to be cut
EEC	Electron tubes, other than cathode ray	From 15 to 7.5 percent.
United Kingdom	Microphones, loudspeakers, and amplifiers	From 20 to 10 percent.
	Accessories and parts for gramophones	From 33.3 to 10 percent.
Austria	Microphones and loudspeakers	From 20 to 10 percent.
Finland	Electron tubes	From 5 to 2.5 percent.
	Phonographs, record players, and automatic record changers.	From 40 to 20 percent.
Sweden	Capacitors	From 17 to 8.5 percent.
	Electron tubes	From 10 to 5 percent.
Switzerland	Articles for recording sound	From 200 to 110 francs per kilogram.
Yugoslavia	Tapes for tape recorders	33 percent (bound).

Japan, Canada, Norway, Denmark, and other nations participating in the negotiations made no concession at all of interest to the U.S. in the consumer electronic products and electronic components area.

In comparison with the virtually across-the-board reduction of U.S. electronic product and component duties, these meager results eloquently underscore the unfair position into which the U.S. electronic components industry has been placed by the manner in which the Executive's power to reduce U.S. import duties has been used in total disregard of the import-sensitive nature of the industry.

The Type of Equitable Import Regulation Required in Electronic Products

The Parts Division of the Electronic Industries Association requests that the Committee on Finance favorably consider and report to the Senate for action a form of bill whose provisions are carefully drawn so as to carry out the objectives described in this testimony.

S. 2539, introduced by Senator Edward Brooke on October 16, on his own behalf and that of other Senators, ideally sets forth the type of import regulation required for consumer electronic products and electronic components. A brief explanation of the provisions of this bill is attached as Exhibit 2.

CONCLUSION

There has been a significant drop in demand for consumer electronic products in the year 1967. Nevertheless, S. 2539 would grant to import interests a base period quota equal to the full volume of consumer electronic product imports in the peak year 1966. No rollback in imports would be involved, and indeed the volume of importations assured to import interests exceeds the current rate of demand in the United States market for such products. The bill is therefore eminently fair to importers of consumer electronic products.

Similarly, in view of the extraordinary rise in imports of electronic components in the year 1966 in comparison with 1964, and the subsequent moderate decline in the volume of imports of most electronic components in 1967 (though still well above the 1964 level), it is entirely equitable to those interests engaged in importing components to establish as a base period quota the average annual imports of 1964–1966, since such quota will be significantly above the 1964 level and within reasonable range of the actual level of imports in the year 1967. Thus, no major rollback of imports of electronic components is envisaged by the bill.

Accordingly, we submit that the electronic imports bill, so essential to the maintenance of employment in the electronic components industry and its more than 2,000 plants located in 40 States of the Nation, should be adopted with the confidence that the system of flexible import quotas which it would establish will provide fair and equitable access to domestic and foreign produced electronic products in the present market and the future growth in the U.S. market for these products.

At the same time, the absolute authority given the Secretary of Commerce to "open up" the quotas to prevent any shortage of supply, and the discretionary authority accorded the President to enter into trade agreement negotiations with affected countries to "smooth out" any unforeseen area of hardship which might develop in the trade of any country under the quotas gives double assurance that the legislation will be fair and equitable to import interests while safeguarding the essential needs of domestic producers and their employees for continued participation in the U.S. market.

SOURCES OF DATA CITED

Production, shipments, and U.S. market for electronic products and components:

Electronic Industries, Year Book 1967, Marketing Services Department,

Electronic Industries Association; and other data compiled by that Department.

Employment in the electronic components industry, cotton broadwoven fabrics, and petroleum refining industries:

Employment and Earnings and Monthly Report on the Labor Force, U.S. Department of Labor, Bureau of Labor Statistics.

Foreign trade data on electronic products and components:

U.S. Department of Commerce, Bureau of the Census, FT 110, 410; IM 145, 146.

Electronic Industries, Year Book 1967, op. cit.

Import-Export Bulletin, Marketing Services Department, Electronic Industries Association.

Electronic Trends, Marketing Services Department, Electronic Industries Association.

Import Penetration Study, Supervisor of Marketing Services, Electronic Industries Association.

Value of Shipments by Product Classes; production worker employment, electronic industries, by Standard Industrial Classification:

Annual Survey of Manufacturers, 1965, M65AS-1, M65AS-2, U.S. Department of Commerce, Bureau of the Census.

EXHIBIT 1.—EMPLOYMENT AND ESTABLISHMENTS IN THE U.S. CONSUMER ELECTRONIC PRODUCTS AND ELECTRONIC COMPONENTS INDUSTRIES, 1966 (MID-MARCH)

	Consumer electronic products (S.I.C. 365)		Electronic components (S.I.C. 367)		Total	
	Employment	Number of establishments	Employment	Number of establishments	Employment	Number of establishments
Alabama	[1] 1,515	3	[1] 3,002	3	4,517	6
Arizona			[1] 3,831	16	3,831	16
Arkansas	[1] 3,203	6			3,203	6
California	7,861	107	50,672	446	58,533	553
Colorado	[1] 574	7	500	10	1,074	17
Connecticut	247	10	13,368	76	13,615	86
Florida			2,924	51	2,924	51
Hawaii			[1] 377	2	377	2
Idaho			[1] 175	1	175	1
Illinois	39,641	75	31,714	188	71,355	263
Indiana	26,872	20	15,237	54	42,109	74
Iowa	1,485	7	4,955	16	6,440	23
Kansas			1,932	16	1,932	16
Kentucky	[1] 3,004	4	[1] 3,566	9	6,570	13
Maine			[1] 2,065	5	2,065	5
Maryland			1,471	27	1,471	27
Massachusetts	2,459	19	30,237	175	32,696	194
Michigan	1,176	16	2,811	42	3,987	58
Minnesota	965	8	3,367	35	4,332	43
Mississippi	[1] 250	2	[1] 1,675	4	1,925	6
Missouri			905	17	905	17
Nebraska			[1] 3,350	10	3,350	10
New Hampshire			5,883	16	5,883	16
New Jersey	8,241	49	25,767	245	34,008	294
New Mexico			278	8	278	8
New York	18,593	158	38,505	250	57,098	408
North Carolina			6,024	19	6,024	19
Ohio	1,353	19	12,300	68	13,653	87
Oklahoma			296	8	296	8
Pennsylvania	4,872	27	38,156	139	43,027	166
Rhode Island			1,761	12	1,761	12
South Carolina			7,972	9	7,972	9
South Dakota			[1] 427	4	427	4
Tennessee	3,676	23	2,174	14	5,850	37
Texas	1,702	22	[1] 4,252	48	5,954	70
Utah			[1] 758	5	758	5
Vermont			[1] 3,375	3	3,375	3
Virginia	[1] 1,537	3	5,192	19	6,729	22
Washington			80	12	80	12
West Virginia			1,301	6	1,301	6
Wisconsin	[1] 606	6	4,438	31	5,044	37
Total, 41 States	129,831	591	337,074	2,119	466,905	2,710
U.S. total	128,258	636	364,180	2,142	488,438	2,778

[1] Estimated.

Note: The difference between the numerical total shown at the foot of each column and the "U.S. total" shown below it is accounted for by the necessity of estimating employment in those States in which employment data are marked with note 1. To avoid disclosure in certain instances, the source of the data omits reporting actual employment figures.

Source: U.S. Department of Commerce, Bureau of the Census, 1966 County Business Patterns.

EXHIBIT 2: BRIEF EXPLANATION OF THE PROVISIONS OF S. 2539

Section 1

Limits the mounting imports of consumer electronic products to the total quantity and value of such articles imported during the calendar year 1966. (In this year imports supplied to the U.S. market 26 million radios, almost 1 million black and white television sets, almost ¼ million color televisions sets, 1.7 million phonographs, and 3.4 million tape recorders.)

Also provides that, commencing with the calendar year beginning January 1, 1968, the total quantity and value of imports of consumer electronic products shall be increased or decreased by an amount proportionate to the increase or decrease (if more than 5%) in the total U.S. consumption of such articles during the preceding calendar year in comparison with consumption for the year 1966 as determined by the Secretary of Commerce.

Section 2

Restricts the soaring imports of electronic components used in the manufacture of consumer electronic products to the average annual quantity and value of such articles imported during the three calendar years 1964–1966. (In 1966, imports of receiving tubes represented 27.5% of domestic production; TV picture tubes, 12.3%; transistors, 195.8%; rectifiers and diodes, 30.3%; capacitors, electrolytic, 138.3%; capacitors, fixed, 54.0%; controls, 66.4%; resistors, fixed, 51.3%; transformers, 66.6%; loudspeakers, 81.2%; and record changers, 51.4%.)

Also contains a provision for the increase or decrease of the quantities and values of electronic components which may be imported commencing with the year 1968 similar to the provision in Section 1 relating to consumer electronic products.

Section 3 (a) and (b)

3(a) provides for the importation of a proportionate quantity and value of consumer electronic products in the remainder of the year in which the Act becomes effective.

3(b) contains the same provision with respect to electronic components.

Section 4

Directs the Secretary of Commerce to allocate the allowable quantities and values of consumer electronic products and electronic components imports among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period. In making such allocations, the Secretary is directed to favor the position of supplying countries which allow without restriction U.S. private investment in the manufacture of electronic products in their countries and which impose on imports of consumer electronic products and electronic components originating in the United States for entry into their countries conditions no more restrictive than those, including the provisions of this Act, imposed by the United States on such products of the manufacture of those countries when imported into the United State.

Section 5

Contains a provision intended to cover the situation in which domestic production and allowable imports are insufficient to meet estimated annual consumption of any article, the importation of which is controlled by the Act. In such a case, the Secretary of Commerce is directed, upon the application of any interested party, to ascertain the facts and, if a deficiency is found to exist, to determine the increase in imports of such article required to meet such deficiency in the ensuing calendar year.

Section 6

Authorizes the President to enter into negotiations with other governments for the purpose of consummating agreements to provide for orderly trade in consumer electronics products and electronic components in a manner consistent with the policy of this Act of providing equitable access to the future growth of the American market for both imported articles and articles of domestic origin.

The President is also empowered by proclamation to increase, decrease, or otherwise limit the quantity and value of such electronic articles from such country which may be entered, or withdrawn from warehouse, for consumption in conformance with such agreements.

This provision leaves the initiative in the hands of the President to negotiate mutually beneficial solutions to the electronic import problem with other coun-

tries, and the very existence of the statutory quotas will supply incentive to foreign countries to sit down with the United States and negotiate a long-term solution to the problem. As a practical matter, this provision for superseding the statutory quotas with negotiated quotas will prevent the enactment of the bill from being a continuing violation of GATT.

Section 7

Provides that the quantities and values of electronic articles which may be imported in any calendar year quarter must be proportionate to the quantities and values of such articles reported in a like period of the calendar year ended December 31, 1966. The purpose of this section is to prevent seasonal importation of electronic articles with its resulting disruption of the domestic market.

Section 8

Provides that all determinations by the President and the Secretary of Commerce under the Act shall be final.

Section 9

Provides that the Act shall become effective upon enactment.

STATEMENT OF CONSUMER PRODUCTS DIVISION ELECTRONIC INDUSTRIES ASSOCIATION IN OPPOSITION TO S. 2539—THE ELECTRONIC ARTICLES QUOTA BILL, SUBMITTED BY ALFRED R. MCCAULEY, SPECIAL TARIFF COUNSEL

I. INTRODUCTION

This statement is filed by the Consumer Products Division of the Electronic Industries Association (EIA). EIA is the national industrial organization of electronic manufacturers in the United States. This organization is composed of a number of divisions, among which are the Consumer Products Division and the Parts Division.[1] The Consumer Products Division numbers among its member companies the majority of the United States manufacturers of consumer electronic products—a class of articles which includes television receivers, radios, phonographs, tape recorders and players, and many other articles which serve the needs and desires of the people of this country.

The Parts Division includes in its membership a number of companies which manufacture components which are used in the production of consumer electronic products by the members of the Consumer Products Division.

S. 2539, 90th Congress, would establish quotas on imports of both consumer electronic products and on components of the kinds used in the production of consumer electronic products. The Consumer Products opposes this bill; the Parts Division supports it.

It is the purpose of this statement to delineate the reasons which underly the Consumer Products Division's opposition to quotas on consumer electronic products and components used in such products. When all the facts are considered, quota restrictions of any kind on imports of these articles are not needed, will disrupt the U.S. market for consumer products, and may result in retaliatory action which will not only hurt the U.S. over-all favorable balance of trade in electronic products, particularly electronic components, but also hurt the industries concerned and their workers.

II. QUOTAS ON IMPORTS OF ELECTRONIC COMPONENTS ARE NOT NEEDED

It is generally agreed that quotas are a severe form of protection against imports since imports in excess of a given quantity are embargoed. For example, the use of quotas except in the most exceptional circumstances is condemned by the General Agreement on Tariffs and Trade (GATT).[2] Thus the exceptional circumstances would initially have to be those where the objective data pertaining to domestic production and sales, exports, and imports show that the industry for whose benefit such quotas are established is being seriously injured by imports. Where such data do not show such injury, quotas are not in order and should not be established.

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[1] In addition there is a Tube Division and a Semiconductor Division in EIA.

[2] *General Agreement on Tariffs and Trade*, Article XI. The enactment of S. 2539 would be inconsistent with this agreement.

The following table[3] contains basic data relevant to the proposed quotas on consumer electronic products and electronic components:

[Dollar amounts in thousands]

	1965[1]	1966[1]	January–July 1967
Electronic industries:			
Sales	$17,522,000	$20,295,000	(1)
Exports	1,104,000	1,382,000	$1,000,000
Imports	497,393	733,048	416,000
Exports as percent of sales	6.4	6.8	(1)
Imports as percent of sales	2.8	3.6	(1)
Electronic components:			
Sales	$4,675,000	$5,642,000	$2,900,000
Exports	328,500	440,000	280,000
Imports	138,000	212,900	97,800
Exports as percent of sales	7.0	7.9	9.6
Imports as percent of sales	2.9	3.8	3.3
Consumer electronic products:			
Sales	$3,658,000	$4,574,000	$2,100,000
Exports	40,200	46,200	23,600
Imports	211,570	298,900	193,000
Exports as percent of sales	1.1	1.0	1.1
Imports as percent of sales	5.7	6.4	9.2

[1] Not available.

Since the Parts Division of EIA supports this quota proposal, it is in order to note and comment upon the facts shown in the above table and available from other sources which bear upon the merits of this stand of the Parts Division.

Sales of the electronic industries of the United States reached an all-time record high in 1966 of $20.3 billion, up 16 percent from sales of $17.5 billion in 1965. The performance of these industries in 1966 was described as follows:

"All major electronic equipment markets expanded during 1966 with consumer electronics setting the pace in percentage gains. Sales of consumer electronic products were up 25% during the year to reach $4.6 billion. Industrial electronics rose by 16% in sales to $4.9 billion, while the Government market expanded by 13%, reaching $10.1 billion.

"Sales of electronic components (for both original equipment and renewal purposes) totaled $5.6 billion, up 21% from sales during 1965. Annual sales of replacement components increased from an estimated $630 million to $640 million over the same period.

"* * *.

"In 1966, the market for industrial electronics equipment was nearly twice its size five years prior and more than five times its size ten years ago. The rapid expansion of this market in recent years is primarily attributed to the swift rise in computing and data processing activities. Output of equipment serving these purposes was up an estimated 25% during 1966, to reach some $2.3 billion.

"* * *.

"It is estimated that nearly 1.2 million workers were employed in electronics manufacturing and related activities at the end of 1966. This represents a growth of some 260,000 employees over the past two years. Most of these workers (1.08 million) were directly involved in the manufacture of electronic products. Of total manufacturing employment, approximately 60% (640,000) were producing end equipment for the consumer, industrial and Government markets. The remaining portion (440,000) of electronics manufacturing employment was working in plants producing components."[4]

The prosperity of the electronics industries is particularly applicable to the U.S. manufacturers of components. Sales of U.S.-made components reached a record high of $5.6 billion in 1966, up 21 percent over 1965 sales of $4.7 billion.

[3] The table was prepared from data contained in the *Electronic Industries Yearbook, 1967* and *Electronic Trends*, July 1967, July 1966 issues, both prepared by the Marketing Services Department of EIA.

[4] *Electronic Industries Year Book—1967*, pp. 1–2.

The Department of Commerce reported the 1966 performance of this industry in the following terms:

"The value of shipments to the defense sector rose 28 percent compared to the 7 percent gain in 1965 over 1964 level. Shipments to the non-defense sector were up 32 percent over the 1965 period. All product categories showed substantial gains in both unit volume and dollar value during 1966 with the exception of monochrome TV picture tubes. Those products posting the largest gains were color TV picture tubes, up 118 percent; integrated circuits, up 55 percent and relays, up 32 percent over 1965. Significant gains over 1965 levels were also made in shipments of capacitors, up 28 percent; resistors, up 27 percent; and semiconductors up 21 percent. Other gains were recorded in power and transmitting tubes, up 19 percent (continuing the recent up-turn in this industry); connectors, quartz crystals and transformers, all up 17 percent, and receiving tubes, up 8 percent, according to the Department's Business and Defense Services Administration."[8]

Component sales totaled $2.9 billion in the January–July 1967 period, up 38 percent from 1965 and off only about 3 percent from the record comparable period in 1966. This decline in component sales is a direct and indirect reflection of the widespread softening in the U.S. economy during the first part of 1967. It is noteworthy that this decline is small compared with the 15 percent decline in sales of the auto industry and the 11 percent drop in sales in the durable white goods industry in the same 1967 period.

The prosperity of the U.S. electronic components producers is also shown by the increase in their sales. This industry numbers among its member companies such dynamic companies as Texas Instruments, Fairchild Camera, General Instrument, Sprague Electric, and others. Texas Instruments' sales level of $276,500,000 in 1963 increased to $580,300,000 in 1966. Fairchild's sales in 1966 topped $225 million, more than double what they were just four years previously. General Instrument's sales in 1966 were $154,100,000, almost double 1962's sales. Sprague Electric's $141,500,000 in sales last year was a record and almost doubled 1961 sales.[9]

Industry-wide employment data attest to the strength of this industry. While in 1966 some 440,000 employees were engaged in electronic component production in the United States, in 1961 only 280,000 persons were so employed and in 1958 only 205,000 persons were working in component production. Thus, in just 10 years, employment has more than doubled.

The component manufacturers also enjoy a lucrative export business. In 1965, they sold abroad over $328 million of their products, some $190 million more than foreign producers sold in the United States. In 1966 their sales to foreign purchasers increased to $440 million, a substantial $228 million more than foreign component producers sold to the United States. This upward trend has continued in the first 7 months of this year. Exports of components through July amounted to $280 million, a sizeable $182 million over imports during the same period.

Imports of components amounted to about $213 million in 1966, about 3.8 percent of the component industry's 1966 sales of $5.6 billion. In 1965, imports were 2.9 percent of such sales and in the first part of 1967 they were 3.3 percent of such sales.

Even when viewed alone, these are *de minimis* imports which patently can not be causing any injury. But when these data are viewed in the revealing light of the over-all sales performance record of this industry, its growing employment record, and its expanding export sales, a claim of import-caused injury is difficult to substantiate.

We respectfully submit that the U.S. electronic components industry does not need the quotas proposed in S. 2539.

III. QUOTAS ON IMPORTS OF CONSUMER ELECTRONIC PRODUCTS ARE NOT NEEDED

Thus far the discussion has centered on the fact relevant to domestic sales, employment, exports and imports of all electronic articles, with particular emphasis on electronic components. As previously indicated, S. 2539 would establish quotas on both electronic components and consumer electronic products. For this reason, an analysis of the facts and considerations pertinent to the proposed quotas on consumer product imports is in order.

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[8] *Notice To Industry*, Business and Defense Services Administration, U.S. Department of Commerce (Undated).

[9] Data obtained from *Value Line Surveys*, September 1967.

Basic to the evaluation of the proposal for quotas on imports of consumer electronic products is the judgment of the U.S. producers of products which are similar to those being imported as to the need for such quotas. Thus, at the outset, it is very germane here that a majority of U.S. producers of consumer electronic products, speaking through the Consumer Products Division of EIA, are opposed to quotas on consumer product imports. These producers, who should be in the best position of all concerned to determine their needs for protection against import competition, submit that their considered views must be given a greater weight than those of others—such as the U.S. component manufacturers—who are not primarily involved so far as imports of consumer electronic products are concerned.

Sales of consumer electronic products increased some 25 percent in 1966 over 1965—from $3.7 billion to $4.6 billion. In the first 7 months of 1967 sales were up 24 percent over the first 7 months of 1965 and down only 4.5 percent from the comparable months of record year 1966. But again, this sales drop reflects the general softening of the U.S. economy in the first half of this year.

The downturn in the first part of 1967 reversed in August. The Federal Reserve Board's Industrial Production Index for August, 1967 shows television receiver and home radio production at 157 (1957–59=100), up 25 points from the average of 132.0 for the first 7 months of 1967. Indications point to a further rise in this Index in September.

As in the case of the U.S. components industry, employment in consumer products production has steadily increased. At the end of 1966, some 144,000 persons were employed in the production of consumer electronic products. Just 5 years previously only 89,000 persons were so employed while in 1958, 73,000 workers were in this industry.

While exports have not been a very significant factor in the consumer electronic products market, never in recent years accounting for as much as 2 percent of sales, nevertheless, the export market for consumer products is growing. In 1965, some $40 million in export sales were made, while in 1966, $46.2 million worth of U.S. produced consumer products went abroad. The U.S. component industry benefits from this growth since it supplies most of the components which go into these products.

Imports of consumer products in 1966 amounted to $299 million, up from 1965 totals of $211.5 million. In the first 7 months of 1967, imports were at $193 million. While imports are presently 9.2 percent of consumer product factory sales, a much greater ratio than the 3.8 percent comparable component-imports-to-component-sales ratio, nevertheless, U.S. producers of consumer electronic products oppose quotas on consumer product imports. This stand is sound, and indeed is in the best interests of the American consumer, the consumer products producers and the component producers.

IV. IMPORTS SERVE A FUNCTION

Given the number and variety of consumer electronic products which the American consumer desires and the many combination products which he demands, it is unlikely that any U.S. manufacturer will make all of these products. Thus, if a full line of consumer electronic products is to be offered to the American consumer by a U.S. producer, he must obtain from other sources products which he does not produce. He will concentrate his efforts in producing those products which he can make efficiently in volume, thus enabling him to offer to the consumer products whose quality and price reflect these economic advantages.[7] In some instances the only outside source for him for products which he does not make may be a foreign source. The products he acquires from such source generally will be manufactured to his standards for sale under his brand name.

Besides expecting a wide variety of consumer electronic products, the American consumer is very price conscious. Thus, imported pocket-size transistor radios sell like proverbial "hot cakes" because they are priced below $10: they would not sell in any such quantities at prices of $15 or $20. The same is true of small-size black-and-white television receivers and low-priced tape recorders. If all of these products were made in the United States, their prices would be significantly higher than present levels and such higher prices would result in lower sales.

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[7] For example, the June 1967 Consumer Price Index (CPI) prepared by the Bureau of Labor Statistics, U.S. Department of Labor, for portable and console television sets was only 80.1 (1957–59=100). The June 1967 CPI for all products was 116.0.

Imports, therefore, are primarily responsible for the large volume sales in these basic consumer electronic articles. Such volume sales of these products bearing the U.S. manufacturer's trade name materially assist the manufacturer in promoting sales of his domestically-produced articles.

These imports permit many persons in the United States to purchase entertainment, educational, and informational pieces of electronic equipment which, in the absence of lower-priced imports they would be unable to buy. In this event, no one would gain and these consumers would lose.

Imports of consumer electronic products, therefore, are a plus factor in the U.S. market not only for the consumer electronic products manufacturer but also for the American consumer.

V. RETALIATION AGAINST U.S. ELECTRONICS EXPORTS

U.S. exports of electronic articles exceed imports by almost $700,000,000 and this favorable balance of trade includes over $200 million in the U.S.-made components. If the United States takes restrictive action against imports of electronic components and products our favorable balance of trade in electronic articles will be in jeopardy.

For example, while Japan and Hong Kong supply substantial percentages of the electronic products sold to the United States, they are also important customers for exports of electronic products, including electronic components, from the United States. Japan's importance as an outlet for U.S.-produced electronic articles is shown by the following data:

Percentage of total imports, into Japan originating in the United States

Articles:	
Digital computers	91.9
Jukeboxes	94.5
Integrated circuits	99.6
Thermionic valves and tubes	76.4
Silicon transistors	72.4
Parts of radio-navigational aid, radar, or radio remote control apparatus	83.9
Insulated flexible cord	69.7
Oscilloscopes	85.7
VHF transmission and reception apparatus	90.0
Recording tape and wire	77.7
Electrical analysis apparatus	80.9

Source: Japan Ministry of Finance.

Hong Kong, the principal supplier of transistors and other semiconductor devices to the United States in 1966, was also the chief importer of U.S.-produced semiconductor parts, having purchased $13,100,000, or 43 percent, of total U.S. exports.

In sum, U.S. international trade in electronic products is a true two-way street and the U.S. enjoys a bigger share of this exchange, as these statistics and total favorable balance of trade in electronic articles—$648,000,000—show. Any action which would reduce or eliminate this advantage would be adverse to the interest of all concerned.

VI. CONCLUSION

For the reasons given herein, the Consumer Products Division of the Electronic Industries Association respectfully submits that S. 2539 not be reported favorably by the Senate Finance Committee.

CENTRALAB ELECTRONICS DIVISION, GLOBE-UNION INC.

Subject: Urgent Request for Support of Omnibus Amendment to Import Quota Legislation.

Senator RUSSELL B. LONG,
U.S. Senate,
Senate Office Building,
Washington, D.C.

SENATOR LONG: On behalf of Globe-Union Inc. and its employees, we respectfully request and urge that you take immediate steps to support enactment of

the "omnibus" amendment to the import quota bills now before the Senate Finance Committee, which amendment we understand will be introduced by Senator Everett M. Dirksen.

The business of this company is already being seriously undermined by the heavy volume of low-wage cost imports entering the USA. It is obvious that further and probably crippling injury to this company and loss of many jobs of our employees will develop as a result of the 50% GATT reduction in U.S. import duty rates on our products to take effect over the next four years. The omnibus amendment referred to above would be a powerful aid in preventing such injury and in preserving the jobs of our employees.

Globe-Union is engaged in the manufacture of Electronic Components sold to the radio, television, computer, military and related industries. Our company has plants located in Vermont, Delaware, Florida, Indiana, Illinois, California, Kentucky, Oregon, Texas and Wisconsin.

W eneed your immediate help and shall greatly appreciate your taking prompt action to help this company and its employees.

Please let me hear from you.

Sincerely,

D. J. JONES.

RADIO MATERIALS CO.,
A DIVISION OF P. R. MALLORY & CO., INC.,
Attica, Ind.

HON. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: I would like to request your support of Senate Bill S. 2539 which provides for a reasonable sharing of the United States market by domestic and foreign suppliers of electronic components. We are a division of P. R. Mallory & Co., Inc., with plants at Attica, Indiana and Chicago, Illinois. We produce a full line of ceramic capacitors for the Consumer Electronic Industry.

Our product is such that it requires a great deal of hand labor despite much automated equipment that has been developed and used in the past several years. Under these circumstances our business position is becoming quite critical because of the lower living standard and much lower labor rates in other countries, primarily in the Asian countries.

The Electronic Industries Association reports that imports of components in 1966 were equivalent to 102,000 U.S. jobs. As one involved in this problem I can only report to you that if something is not done the remaining jobs, at least in our area, will also be lost.

Thank you for your consideration on this very serious matter.

Very truly yours,

CARL T. JOHNSON, *General Manager.*

(S. 2552, a bill to provide for orderly trade in antifriction ball and roller bearings and parts thereof, follows:)

ANTIFRICTION BALL AND ROLLER BEARING IMPORTS*

90TH CONGRESS
1ST SESSION

S. 2552

IN THE SENATE OF THE UNITED STATES

OCTOBER 18, 1967

Mr. RIBICOFF (for himself, Mr. COTTON, and Mr. DODD) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for orderly trade in antifriction ball and roller bearings and parts thereof.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Antifriction Bearing
4 Orderly Trade Act of 1967."
5 SEC. 2. The Congress finds that increased imports of
6 antifriction ball and roller bearings and parts thereof have
7 resulted in such a reliance upon foreign sources for substantial
8 segments of antifriction bearing requirements as to threaten
9 to impair the national security.
10 It is, therefore, declared to be the policy of Congress
11 that access to the United States market for foreign-produced

II

★ (Star print)

*Communication received by the committee on this subject, p. 1062.

2

1 antifriction bearings should be on a quota basis to insure
2 orderly trade and to prevent the reduction of the potential of
3 this essential industry to meet all national security
4 emergencies.
5 SEC. 3. As used in this Act—
6 (1) The term "category" means a three-digit line num-
7 ber which appears in the United States Department of Com-
8 merce Business and Defense Services Administration Stand-
9 ard Form BDSA F-88.
10 (2) The term "imports" refers to United States imports
11 in any category or categories within the meaning of para-
12 graph (1).
13 (3) The term "consumption" means, with respect to
14 any category or with respect to all categories, the sum of
15 United States factory shipments plus imports minus United
16 States exports.
17 (4) The term "year" means calendar year.
18 SEC. 4. The President may, after consultation with all
19 nations having an interest in supplying antifriction bearings
20 to the United States, negotiate multilateral or bilateral agree-
21 ments establishing, for periods beginning on or after the date
22 of the enactment of this Act, annual quantitative limitations
23 on United States imports of such products subject to the fol-
24 lowing provisions:
25 (1) Total imports for each year shall not exceed an

1 amount determined by applying to the average annual con-
2 sumption during the six years immediately preceding the
3 year in which the limitation is to be effective a percentage
4 equal to the percentage of average annual consumption rep-
5 resented by imports during the years 1961 through 1966,
6 inclusive.
7 (2) Imports in any year in each category shall not
8 exceed 10 per centum of the average annual consumption in
9 each category during the years 1961 through 1966, inclusive.
10 (3) The percentage of total imports in any year repre-
11 sented by imports from a particular nation shall not exceed
12 the percentage of total imports during the years 1961 through
13 1966, inclusive, represented by imports from that nation.
14 SEC. 5. For periods after the one hundred and eightieth
15 day after the date of the enactment of this Act, the President
16 shall, within the limits set forth in paragraph (2) of section
17 4, by proclamation restrict annual imports from each nation
18 which is at any time on or after such one hundred and
19 eightieth day not a party to an agreement then limiting
20 current imports negotiated pursuant to section 4 to an
21 amount determined by applying the percentage of consump-
22 tion represented by imports from that nation during the
23 years 1961 through 1966, inclusive, to the average annual
24 consumption during the six years immediately preceding
25 the year in which the restriction is to apply.

1 SEC. 6. Within the overall limitations imposed under
2 section 4, the President may adjust the share of United States
3 imports in any category which may be supplied by any
4 nation. In making this adjustment, the President shall be
5 guided principally by the national security requirements of
6 the United States.
7 SEC. 7. (1) Import limitations established under this
8 Act shall be administered by the Secretary of Defense. The
9 Secretary may issue such regulations as may be necessary or
10 appropriate to carry out the purposes of this Act.
11 (2) Should any limitation imposed under this Act take
12 effect on any day other than January 1 of a year, such limita-
13 tion shall apply pro rata during the remaining portion of
14 such year.
15 (3) Upon the expiration of five years after the date of
16 the enactment of this Act, the Secretary of Defense shall sub-
17 mit a report to the Congress as to the effects of the import
18 limitations established under this Act on the capacity of the
19 antifriction bearing industry to meet the Nation's essential
20 requirements for antifriction bearings and to prevent a threat
21 to the national security, together with his recommendations
22 as to whether such import limitations should be continued,
23 modified, or revoked. Before making such report, the Secre-
24 tary shall conduct a hearing at which all interested parties
25 shall have an opportunity to be heard.

STATEMENT OF THE ANTIFRICTION BEARING MANUFACTURERS ASSOCIATION, BERNARD J. SHALLOW, CHAIRMAN, IN SUPPORT OF S. 2552, AN ACT TO PROVIDE FOR ORDERLY TRADE IN ANTIFRICTION BEARINGS AND PARTS

This statement urging favorable action by the Senate Finance Committee on *S. 2552—A Bill To Provide For Orderly Trade In Anti-Friction Ball and Roller Bearings and Parts Thereof* is submitted by The Anti-Friction Bearing Manufacturers Association in response to the Committee's invitation of September 29, 1967, for the submission by interested parties of statements relating to proposals to impose import quotas.

The Anti-Friction Bearing Manufacturers Association (AFBMA)

The Anti-Friction Bearing Manufacturers Association (AFBMA) is a national association comprised of companies who account for more than 75% of the nation's output of anti-friction bearings and parts. A list of the Association's membership is attached as Appendix A. This industry currently produces approximately one and one-half billion dollars ($1,500,000,000) worth of bearings with a work force of more than 60,000. It is universally acknowledged that anything rolls, flies, floats or fires is dependent upon the anti-friction bearing for proper functioning.

Industry Essentiality to National Defense

While the products of the anti-friction bearing industry, in a very real way, are one of the cornerstones to any industrialized society, their posture in our program of national defense is even more important. Ball or roller bearings are necessary components in most pieces of mechanical equipment. Typical items in our defense arsenal whose operation is dependent upon high quality bearings are: Aircraft, Missiles, Submarines, Tanks, Guns.

History has convincingly demonstrated that during periods of national emergency, the nation's demand upon this industry greatly accelerates. Thus, during World War II, production rose from $104 million in 1939 to $422 million in 1944. In 1944, 88% of total production was devoted to military and supporting projects. With the cessation of hostilities in 1945, the demand resided. Production in 1946 amounted to only $236 million, while for the years 1947–1949 production averaged only $360 million. Pressures on the industry similar to those of World War II were created by the Korean War and for the period 1951–1954 production averaged $625 million—an increase of $265 million annually over the immediately preceding non-war years. The productive increase for the 1951–54 period was a direct reflection of our expanded military activities. There is no one who seriously questions the paramount role of this industry to national defense and security. Indeed, the historical record of this industry in times of national crisis provides indisputable evidence of the interrelationship between national security and a healthy, viable anti-friction bearings industry. This interrelation is again receiving reaffirmation with the military buildup in Viet Nam. Increased requirements precipitated by our growing Viet Nam commitment are pushing industry producton to new, all-time highs.

Foreign Competition

Historically competition from foreign bearings has never been a matter of any real significance to the industry. Prior to World War II, home demand in the various producing nations was so high that only a negligible quantity of output was available for export. The total decimation of the Axis capacity during World War II foreclosed any export potential by Germany or Japan, and during the post-war years, foreign production was entirely consumed by the re-building process taking place in Europe and Asia.

In recent years, however, the productive capacity of foreign producers, especially that of Japan, has burgeoned far beyond domestic needs. By 1960, Japan alone had more than fifty (50) plants engaged in the production of anti-friction bearings and parts. Their collective production was far in excess of any home demand. Table I illustrates the magnitude of the unrestrained growth of the Japanese bearings industry compared with that of other foreign producers:

SELECTED FOREIGN PRODUCTION OF ANTIFRICTION BEARINGS

	West Germany	Italy	Russia	Japan	France	Czechoslovakia
	Metric tons	1,000 units	1,000 units	1,000 units	1,000 units	1,000 units
Year:						
1952	24,797	31,165	141,200	19,812	30,400	7,635
1953	25,919	32,425	162,500	29,412	33,260	8,579
1954	28,053	26,908	183,200	33,334	35,000	10,208
1955	37,870	32,143	218,000	27,084	43,800	14,255
1956	42,277	38,321	263,700	48,096	49,000	17,963
1957	49,557	43,345	296,200	61,524	58,800	22,675
1958	49,044	47,835	325,100	54,984	....	27,675
1959	51,518	49,028	350,000	81,153	....	30,845
1960	61,329	55,606	370,200	125,509	76,980	37,243
1961	....	68,000	345,000	188,290	80,000	41,173
1962	....	....	....	244,074	88,000	....

Moreover, a substantial portion of total Japanese production is programmed solely for the United States market. The Japanese Government through subsidy and incentive programs actively encourages the production for export program. Indeed many of the Japanese bearing types and sizes particularly in the miniature precision field, must be exported to the United States since there exists no home demand for these products. The pressure which foreign imports have exerted on domestic producers in recent years has been both vigorous and constantly increasing. Table II portrays the rapid growth in imports of antifriction bearings.

TABLE II.—IMPORTS OF BALL AND ROLLER BEARINGS AND PARTS BY COUNTRY OF ORIGIN

	1961	1962	1963	1964	1965	1966
Austria	$269,475	$387,985	$285,035	$259,427	$335,009	$408,146
Canada	1,644,439	2,177,565	2,202,909	2,471,335	3.627,535	5,673,081
France	287,322	387,131	504,488	472,815	1,403,429	1,665,904
Germany	2,177,372	3,684,020	3,424,241	3,901.337	4,914,39	6,265,233
Ireland	....	....	0	81,064	504,787	520,632
Italy	130,094	246,822	402,027	517,019	634,198	837,917
Japan	3,738,071	6,711,235	9,986,308	13,752,211	16,970,258	25,743,365
Sweden	540,948	486,098	318,970	478,330	531,877	893,906
Switzerland	514,543	62,247	509,775	514.417	821.652	1,103,812
United Kingdom	801,091	1,409,510	1,657,306	1,664,274	3,408,144	7,887,592
Other	20,032	123,080	93,794	142,877	201,915	635,506
Total	10,123,387	16,275,702	19,384,853	24,255,106	33,403,243	51,636,094

Dimensions of Foreign Competition

While the total volume of imports, standing alone, is a matter of very real concern to the domestic industry, their pattern is far more distressing. Industry experience demonstrates that imports are concentrated in relatively few of the 75 basic lines of domestic production. This situation is typlified by recent difficulties which the domestic industry has encountered in its efforts to produce and market ball bearings whose outside dimensions fall between 30 and 52 milimeters. Bearings of this type are the domestic industry's largest item of production. In a very real sense, they are the bread and butter of the industry and provide the volume and profit which enables the producers to manufacture the more specialized but often unprofitable lines upon which our defense effort is so reliant. Table III, based on a study made by the domestic producers, illustrates a portion of the selective impact of Japanese imports of the domestic producers.

TABLE III.—U.S. PRODUCTION OF 30-52 M.M. BALL BEARINGS COMPARED WITH JAPANESE IMPORTS

Year	U.S. production	Japanese imports	Percent (3 of 2)
	(1)	(2)	(3)
1958	12,747	5	....
1959	17,389	983	5.6
1960	14,853	1,438	9.7
1961	14,280	1,517	10.6
1962	16,460	2,614	13.4
1963	13,807	3,604	26.1

The domestic industry submits that our dependence on foreign capacity for more than 25% of our requirements of these important bearings presents a very serious national security dilemma. Had a similar dependence existed in 1940, it is doubtful whether the domestic industry would have had the requisite capacity to respond to the requirements of our war effort.

This situation is more forcefully apparent in the domestic industry's recent experience in the production of miniature precision bearings. While miniature and instrument bearings have a wide range of application, the major portion of domestic production is consumed by defense contractors engaged in the manufacture of missiles, guidance systems, space craft, and related auxiliary equipment. Prior to the heightened demand created by Viet Nam, the producers of miniature and instrument bearings were seriously imperiled by low cost imports. Table IV portrays the precipitous decline in domestic production of these vital items during a period (1963 & 1964) in which no appreciable slackening in demand occurred.

TABLE IV.—*Domestic production of miniature and instrument bearings, 1958–66*

[Units in thousands]

Year:	
1958	4,451
1959	6,133
1960	8,743
1961	8,572
1962	9,331
1963	6,264
1964	8,327
1965	[1] 9,891
1966	[1] 11,943

[1] 1965 and 1966 include Group 6 and 7 production; prior years cover only Group 7, when Group 6 was either negligible or not reported.

Source: BDSA Reports.

The inescapable explanation of falling production in the face of rising demand is the fact that imported bearings were replacing domestic bearings. Indeed in 1965, the operator of the Swiss Cartel selling bearings in the United States acknowledged that it was shipping nearly 2,000,000 units a year to this country. Had it not been for the acceleration in demand for miniature bearings brought on by Viet Nam, the unrestrained importation of miniature bearings could have permanently jeopardized the ability of this segment of the industry to respond to defense requirements. In fact as late as May of 1965, the *Metalworking News* in an article entitled "More Dropouts Expected in Miniature Bearing Field" reported a decline in the number of producers with "foreign competition, the major reason". Had the Viet Nam demand come three or four years later than it did, it is doubtful whether the domestic industry would have had the capacity to fulfill increased military requirements.

Industry Concern Over Imports

Since the late fifties, the domestic industry has been deeply concerned with the rapid rise in the level of imports and especially the fact that imports have been selectively concentrated in only a few sizes and types of bearings. Foreign producers, and in particular the Japanese, have made no demonstrable effort to tailor their production for home consumption, nor have they seriously attempted to develop export markets other than in the United States. In late 1964 afer imports had begun to reach alarming proportions, the Association pursuant to Section 232 of the Trade Expansion Act of 1962, requested the Office of Emergency Planning to determine whether anti-friction bearings and parts were being imported into the United States under circumstances as to threaten to impair the national security.

While this application was subsequently withdrawn at the request of the Association, the domestic industry, nevertheless, remains firmly convinced that bearings are being imported under such circumstances as to threaten to impair the national security. Two factors prompted the domestic industry to withdraw its application. Firstly, the military buildup in Viet Nam has exerted tremendous pressure on the industry and has created abnormally high levels of demand. This artificial circumstances created an unsuitable atmosphere for investigation. Secondly, neither the domestic industry or the Office of Emergency Planning could obtain accurate and reliable import data. Available

data on imports make no attempt, as do government collected domestic production data, to segregate imports as to type of bearings. S. 2552, which we are vigorously supporting, will not only insure that interested government agencies and departments have accurate and reliable data for defense planning but will foreclose imports from concentrating in one or two categories without at the same time materially limiting the overall level of imports.

S. 2552

S. 2552 as its title clearly states is designed to insure that antifriction bearings are imported in an orderly fashion so that domestic production will never be disrupted to a point where it is unable to respond to the requirements of national defense. The domestic producers have repeatedly stressed in appearances before government commissions, agencies, and departments that their concern is directed not so much at the total volume of imports but at their chaotic pattern. The domestic industry produces thousands of types and sizes of bearings. While many of these lines are marginally profitable, their defense application is of paramount importance. Conversely, foreign producers make no attempt to supply a full line. Instead they selectively concentrate on but a few of the high volume, high profit sizes. In so doing, they attack the basic structure of domestic production and jeopardize its ability to continue producing those types and sizes with more limited and specialized uses. Stated differently, certain high volume and universal use bearings help domestic producers to cover fixed costs, keep plants and personnel operating at maximum efficiency and thereby make possible the production of many marginal sizes and types whose only consumers are often defense contractors. S. 2552 will alleviate the disruptive fashion in which foreign bearings are imported without disturbing the total level of imports. Section 4(2) of the bill confines imports by category of bearing to 10% of domestic consumption. This provision will have no practical impact on the total volume of imports, but will merely require foreign suppliers to meet all segments of United States demand, rather than skim off the cream as they do today.

Mechanics of S. 2552

Section 2—Section 2 states clearly the purpose of the Act—to insure orderly trade in anti-friction bearings and thereby guarantee the ability of the domestic industry to respond to the needs of national security.

Section 3—Paragraphs (1) thru (4) provide the basic statutory definitions. Of particular importance is paragraph (1) which correllates bearing import statistics with Department of Commerce statistics on domestic production.

Section 4—Authorizes the President to arrange trade agreements which attempt to reasonably govern bearing imports by source, total, and category.

Section 5—Provides the mechanics for implementing the agreements negotiated under Section 4.

Section 6—Section 6 affords the President the necessary flexibility to adapt the statutory scheme to the changing requirements of national security by authorising adjustments in the Section 4 limitations.

Section 7—Section 7 establishes procedures for the fair and efficient administration of the legislation by the Secretary of Defense. In particular, paragraph (3) enacts reporting requirements to keep Congress apprised on the status of the domestic industry, the level of imports, and the needs of our national security program.

CONCLUSION

The paramount and only purpose of S. 2552 is to adapt import patterns to national security. There are no so-called free trade limitations involved in this legislation. Indeed there is no real free trade in anti-friction bearings today. Domestic exports are basically limited to replacements for American machinery abroad, sizes produced only in this country, and AID and similar tied-fund sales. American bearings, with the foregoing exceptions, cannot be sold on the world market because of price, and foreign tariff and non-tariff barriers. As such, S. 2552 adds no further restrictions to the present pattern of one-way trade, but merely endeavors to insure that the trading patterns do not impair our national security.

APPENDIX A

MEMBERS OF THE ASSOCIATION

The Abbott Ball Company, Hartford, Connecticut
Aetna Bearing Company, A Textron Division, Chicago, Illinois
American Roller Bearing Company, Pittsburgh, Pennsylvania
The Barden Corporation, Danbury, Connecticut
Brenco, Incorporated, Petersburg, Virginia
The Fafnir Bearing Company, New Britain, Connecticut
The Federal Bearings Company, Inc., Poughkeepsie, New York
Federal-Mogul Corporation, Detroit, Michigan
Freeway Washer & Stamping Company, Cleveland, Ohio
General Bearing Company, West Nyack, New York
Hartford-Universal Company, Division of Virginia Industries, Rocky Hill, Connecticut
Hoover Ball & Bearing Company, Ann Arbor, Michigan
Industrial Tectonics, Inc., Ann Arbor, Michigan
Keystone Engineering Company, Los Angeles, California
L&S Bearing Company, Oklahoma City, Oklahoma
Link-Belt Company, Indianapolis, Indiana
Marlin-Rockwell, Division of TRW, Inc., Jamestown, New York
McGill Manufacturing Company, Inc., Valparaiso, Indiana
Messinger Bearings, Inc., Philadelphia, Pennsylvania
Miniature Precision Bearings, Inc., Keene, New Hampshire
National Bearings Company, Lancaster, Pennsylvania
New Departure—Hyatt Bearings Division, General Motors Corporation, Sandusky, Ohio
New Hampshire Ball Bearings, Inc., Peterborough, New Hampshire
Norma-Hoffmann Bearings Company, Stamford, Connecticut
Orange Roller Bearing Company, Inc., Orange, New Jersey
Pioneer Steel Ball Company, Inc., Unionville, Connecticut
Rex Chainbelt Inc., Downers Grove, Illinois
Rollway Bearing Company, Inc., Syracuse, New York
SKF Industries, Inc., Philadelphia, Pennsylvania
Smith Bearing Division, Accurate Bushing Company, Garwood, New Jersey
Sterling Commercial Steel Ball Corp., Sterling, Illinois
Superior Steel Ball Company, New Britain, Connecticut
The Timken Roller Bearing Company, Canton, Ohio
Torrington Company, Torrington, Connecticut
Winsted Precision Ball Corporation, Winsted, Connecticut

(S. 2563, to regulate imports of ferroalloys and related products into the United States, follows:)

FERROALLOY IMPORTS*

90TH CONGRESS
1ST SESSION

S. 2563

IN THE SENATE OF THE UNITED STATES

OCTOBER 20, 1967

Mr. BAKER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To regulate imports of ferroalloys and related products into the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as "The Ferroalloys and Related
4 Products Import Control Act of 1967."
5 SEC. 2. The Congress finds that increased imports of
6 ferroalloys and related products have adversely affected the
7 United States balance of payments, contributed substantially
8 to reduced employment opportunities for United States work-
9 ers in the ferroalloys and related products industry, and
10 captured such increasing share of the market for such prod-
11 ucts in the United States as to threaten the economic viability

II

*Communications received by the committee on this subject, pp. 1072–1088.

1 of the said domestic industry and the national security. It is,
2 therefore, declared to be the policy of the Congress that
3 access to the United States market for ferroalloys and related
4 products produced abroad should be on an equitable basis to
5 alleviate United States balance of payments problems, pro-
6 vide an opportunity for a strong and expanding United States
7 ferroalloys and related products industry, and prevent further
8 disruption of United States markets and unemployment of
9 United States workers in that industry.
10 SEC. 3. The President shall by proclamation restrict the
11 total annual imports of ferroalloys and related products to an
12 amount determined by applying the percentage of total im-
13 ports to total domestic consumption during the years 1961
14 through 1965, inclusive, to total domestic consumption during
15 the year immediately preceding the year in which the re-
16 striction is to apply.
17 SEC. 4. The President shall apportion such total imports
18 so that the percentage of imports in a particular category
19 (as defined in section 8(2) below) in any year to total
20 imports shall not exceed the average percentage of imports
21 in that category to total imports during the years 1961
22 through 1965, inclusive.
23 SEC. 5. (1) Within the limitations imposed under sec-
24 tions 3 and 4, the President may adjust the share of United
25 States imports in any category which may be supplied by

1 any nation. In making this adjustment the President shall
2 be guided principally by historical import patterns, but may
3 modify such patterns to accommodate interests of developing
4 nations or other changing conditions of international trade.
5 (2) The President may suspend any proclamation made
6 under section 3 or 4 or increase any quantity proclaimed
7 under such section if he determines and proclaims that such
8 action is required by overriding economic or national security
9 interests of the United States, giving special weight to the
10 importance to the Nation and the national defense of the
11 economic well-being of the domestic producers of ferro-alloys
12 and related products.
13 SEC. 6. (1) The amount of imports of any category in
14 either half of any year shall not exceed 60 per centum of the
15 total permissible amount of imports in that category for such
16 year.
17 (2) Should any limitation take effect on any day other
18 than January 1 of a year, such limitation shall apply pro rata
19 during the remaining portion of such year.
20 SEC. 7. (1) Import limitations established by this Act
21 shall be administered by the Secretary of Commerce. The
22 Secretary may issue such regulations as may be necessary or
23 appropriate to carry out the purpose of this Act.
24 (2) Upon the expiration of five years after the date of
25 enactment of this Act, the Secretary of Commerce shall sub-

1 mit a report to the Congress as to the effects of the import
2 limitations established under this Act upon (a) the United
3 States balance of payments, (b) the economic viability of
4 the ferroalloys and related products industry, (c) employ-
5 ment opportunities in such industry, and (d) the national
6 security, together with his recommendations as to whether
7 such import limitations should be continued, modified, or re-
8 voked. Before making such report, the Secretary shall con-
9 duct an investigation and hearing at which all interested
10 parties shall have an opportunity to be heard.

11 SEC. 8. As used in this Act—

12 (1) The term "ferroalloys and related products" means
13 low- and high-carbon ferrochrome, low-, medium-, and high-
14 carbon ferromanganese, ferrosilicon, ferrochrome silicon,
15 silicomanganese, chromium metal, manganese metal, and sili-
16 con metal in the categories defined below.

17 (2) The term "category" or "categories" means one
18 or more of the following seven digit item numbers appearing
19 in the Tariff Schedules of the United States Annotated
20 (1965) published by the United States Tariff Commission
21 as in effect on the date of enactment of this Act:

607.3000	607.5000	632.1800
607.3100	607.5100	632.3200
607.3500	607.5200	632.4200
607.3600	607.5300	
607.3700		

1 (3) The term "imports" refers to United States im-
2 ports in any category or categories within the meaning of
3 paragraph (2) of this section.
4 (4) The term "consumption" means, with respect to
5 any category or with respect to all categories, the sum of
6 United States mill shipments plus imports minus United
7 States exports.
8 (5) The term "year" means calendar year.

STATEMENT OF THE COMMITTEE OF PRODUCERS OF FERROALLOYS AND RELATED PRODUCTS, IN SUPPORT OF LEGISLATION TO REGULATE IMPORTS OF FERROALLOYS AND RELATED PRODUCTS INTO THE UNITED STATES, SUBMITTED BY L. G. BLISS, PRESIDENT, FOOTE MINERAL CO.

SUMMARY

The Committee of Producers of Ferroalloys and Related Products represents the relatively few producers * of the products in question—namely low- and high-carbon ferrochrome, chromium metal, low-, medium- and high-carbon ferromanganese, manganese metal, ferrosilicon, ferrochrome silicon, silicomanganese and silicon metal.

These products are all vital to national security since, in effect, conventional and stainless steels, sophisticated alloys, and many forms of aluminum and other non-ferrous products could not be produced without one or more of the ferroalloys and other metals in question. Indeed, in 1964, the Office of Emergency Planning stated "that the ferroalloy industry is essential to our mobilization base".

The attached memorandum, together with Appendices A, B and C thereto, shows why legislation is necessary, in the interests of national security, to prevent further deterioration of this industry as a result of rapidly increasing imports. These imports have now reached alarming levels averaging 30% to 40% of domestic consumption (see Appendix B).

Also attached (as Appendix D) is a proposed form of bill which our Committee feels should be enacted in order to keep the industry reasonably healthy and able to compete with low-cost imports. This bill would impose a percentage quota based upon average imports during the 1961–1965 base period (approximately 13.8% ** of domestic consumption).

Nature of the Ferroalloy Industry.—The domestic ferroalloy industry is a very old one. It began its life prior to World War I, at which time our nation found that its steel industry depended substantially upon alloying constituents produced in foreign countries. Several United States companies installed facilities, albeit belatedly, to support our mobilization efforts. From a humble beginning and through the late 1950's the ferroalloy industry experienced a cyclical economic existence. Yet, its importance to national security became increasingly evident during World War II, the Korean conflict, and, more recently, in support of our efforts in Vietnam.

Injury from Increasing Imports.—In the late 1950's and early 1960's the industry experienced several reversals, in part due to increasing imports of low-cost ferroalloy products produced in modern foreign facilities. For example, imports of chromium and manganese alloys increased 500% and 100% respectively. Several domestic production facilities closed, displacing skilled workers. Industry believed that an unrestrained and accelerating continuation of imports would perpetuate damaging losses of critical plants and skilled personnel. Without affirmative and corrective action, it appeared that the United States would become incapable of supplying its defense and mobilization needs for the ferroalloy and related products essential for the production of steel and critical non-ferrous metals.

Accordingly, appropriate laws and regulations were examined to identify those that might afford the domestic industry counter-measures to offset the lower labor rates and related advantages available to foreign producers.

OEP Investigation (1963–64).—After investigation in depth of the alternatives available to it, the ferroalloy industry submitted to the Office of Emergency Planning in May 1963 an application for investigation of the effect of imports of ferroalloys on the domestic industry under Section 232 of the Trade Expansion Act of 1962.

The industry felt strongly at that time that affirmative action on the part of the Office of Emergency Planning was required to prevent emasculation of the industry. Actually, several plants were cannibalized or closed while the Application was being considered by the government.

The situation today does not differ substantively from that the industry faced in the early 1960's. Therefore, we attach as Appendix A a copy of the ferroalloy

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*Including Chromium Mining & Smelting Corp., Foote Mineral Co., Interlake Iron Corp., Ohio Ferro-Alloys Corp., Pittsburgh Metallurgical Co. (Division of Air Reduction Co.).

**The individual percentages for each product are shown in Appendix B.

industry's 1963 application to the Office of Emergency Planning. This application describes the industry in some depth and contains pertinent statistics and other materials showing the serious adverse effects of unrestrained imports upon this vital industry and our national security.

After a year of careful investigation, on July 17, 1964, the Office of Emergency Planning denied the industry's application on the ground that there was not at that time a sufficient impairment of national security. However, this decision contained several significant statements germane to the plight of the industry. In particular, it noted "that the ferroalloy industry is essential to our mobilization base, that serious economic adjustments confront the industry, and a change in the current status of imports could justify later review."

The OEP Director also stressed "that the study and his conclusions are confined to a consideration of the impact of ferroalloys and metals imports on the national security." It could be inferred from this statement that no consideration was given in that investigation to the damage to the economic healh of a vital indusry caused by imports and the effect of that health on the industry's desire and ability to continue investments essential to remain competitive.

Paradoxically, at the time the decision of the Office of Emergency Planning was released in 1964, demand for ferroalloys and related metals had substantially strengthened. Thus the problem of the early 1960's was temporarily alleviated. Concurrently, however, imports continued to increase. Significantly, these imports came from foreign facilities which were to a great measure built in the interests of supplying our national stockpile requirements.

Increasingly Serious Conditions Today.—Despite the temporary prosperity of 1965 and 1966, the industry recognized that the problem experienced in the early 1960's would have to be faced again in the near future. An examination of statistics attached hereto* demonstrate the validity of the forecast. For example, these statistics disclose that during the first six months of 1967 imports of high-carbon ferromanganese accounted for 61.2% of the United States non-captive consumption. Similarly, 34.2% was accounted for by imported silicomanganese. 36.4% and 50.8% respectively were accounted for by imports of medium and low-carbon ferromanganese. Imports of electrolitic manganese metal (a high purity form of manganese essential to sophisticated ferrous and aluminum alloys) increased from 3⅓% in 1964 to 11.3% during the first six months of 1967. Low-carbon ferrochrome imports increased to 46.5% during the same period. Also, by 1966, imported 75% grade ferrosilicon had captured 16.2% of the United States domestic market.**

These burgeoning imports are having increasingly serious effects upon the ferroalloys industry. In particular, it is significant to note that the earnings of companies comprising approximately 75% of the industry* decreased by an average amount of 37% during the first nine months of 1967 as compared to the same period in 1966. This dramatic decline in earnings can be accounted for in part by increasing costs of wages, related services and supplies as the domestic industry responded to lower priced imports.

Obviously the domestic industry cannot continue to invest in modernization and increased capacity as long as such a situation persists. Consequently, jobs that normally would have been provided by domestic industry will, in effect, have been exported. Under the same set of circumstances, it is clear that the ferroalloy industry will not be able to export its products into the foreign consuming markets, a desirable assist to the balance of payments.

As long as the shipping lanes from the Republic of South Africa, Western Europe and other producing areas are open, ferroalloys required in the production of steel and nonferrous metals can be imported—if we concurrently are content to export our domestic jobs—and if this country is willing to take the risk that these shipping lanes will remain open in time of war.

Yet, the effect of such a policy is forecast to be similar to that the industry faced in the early 1960's. We cannot hope to maintain a viable domestic industry in the face of ever-increasing low-cost imports any more than we can expect that the domestic industry's capacity will be adequate in time of emergency if it is unable in normal times to keep a reasonable participation in supplying the domestic steel and nonferrous requirements.

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*See Appendix B hereto.

**See Appendix C hereto for brief description of the ferrosilicon situation.

*Time has not permitted us to secure comparable figures from all affected companies, but we believe that inclusion of such figures of the remaining 25% of the industry would not materially alter the average reported.

Since the ferroalloy industry's efforts under existing regulations and laws to cope with its evident problems relating to low-cost imports for over 10 years have been largely ineffective, we think it clear that its viability depends on new legislation. These problems have persisted despite a reasonably protective tariff structure, so that it does not appear that any solution based on tariffs could help. Furthermore, it is reasonable to expect that once these tariffs have been further reduced to implement decisions made in the recent GATT negotiations at Geneva, the industry's economic muscle will have been irreparably damaged.

Thus we find no alternative to our desire to serve national security and the interests of our owners than to urge the enactment of appropriate legislation, such as the bill attached hereto as Appendix D.

MANUFACTURING CHEMISTS' ASSOCIATION, INC.,
Washington, D.C., May 13, 1963.

Subject: Application Requesting an Investigation of the Effect of Imports of Manganese and Chromium Ferroalloys on National Security.

Mr. E. A. MCDERMOTT,
Director, Office of Emergency Planning, State Office Building, Washington, D.C.

DEAR MR. MCDERMOTT: On behalf of the reactive metals and alloys producers segment of the Chemical Industry, I am submitting, herewith, twenty-five (25) copies of a request that an investigation be instituted to determine the effect of imports of manganese and chromium ferroalloys on national security, as provided under Section 232 of the Trade Expansion Act of 1962.

The attached Applications gives the general information on the Industry, and imports of ferroalloys, requested in Office of Emergency Planning, Regulation 4. Individual companies will submit voluntary, or on request, additional confidential supporting information on the effect of imports on their operation and plants.

If the Association can be of any assistance to you in this Investigation, please let me know.

Sincerely,

J. E. HULL.

MAY 15, 1963.

Subject: Application for Investigation of the Effect of Imports of Manganese and Chromium Ferroalloys under Section 232 of the Trade Expansion Act of 1962.

Mr. E. A. MCDERMOTT,
Director, Office of Emergency Planning,
State Office Building,
Washington, D.C.

DEAR MR. MCDERMOTT: We respectfully request an investigation of the effect of imports of manganese and chromium ferroalloys, and electrolytic manganese, and chromium on the national security as provided for under Section 232 of the Trade Expansion Act of 1962.

The imports of manganese and chromium ferroalloys, within recent years, have increased to such an extent that the domestic ferroalloy industry is in serious jeopardy. The imports of chromium, in 1962, were about 500% greater than in 1960, and manganese imports have doubled in the same period. As a result, domestic production facilities have shut down, and skilled workers have been displaced. The unrestrained growth of imports will result in a loss of plants and personnel that will ultimately render the U.S. incapable of supplying its needs for manganese and chromium products in time of national emergency.

This Application will be supplemented by confidential statements by some producers, while others will supply additional information on their operations and future plans, on request.

This Application requesting an Investigation of the Effect of Imports of Manganese and Chromium Ferroalloys on the National Security, as provided for under Section 232 of the Trade Expansion Act of 1962 is being filed by the following producers of manganese and chromium ferroalloys, and electrolytic manganese and chromium.

American Potash & Chemical Corp., 3000 W. 6th Street, Los Angeles 54, Calif.
Chromium Mining & Smelting Corp., 13550 South Indiana Avenue, Chicago 27, Illinois.
Foote Mineral Company, Route 100, Exton, Pa.
Interlake Iron Corporation, 1900 Union Commerce Building, Cleveland 14, Ohio.
Ohio Ferro-Alloys Corporation, 839 30th Street, N.W., Canton, 9, Ohio.
Pittsburgh Metallurgical Co., Div., Air Reduction Company, 3801 Highland Avenue, Niagara Falls, New York.
Tennessee Products & Chemical Corp., 2611 West End Avenue, Nashville 5, Tennessee.
Tenn-Tex Alloy & Chemical Corp., 2611 West End Avenue, Nashville 5, Tennessee.
Union Carbide Metals Co., Div., Union Carbide Corporation, 270 Park Avenue, New York 17, New York.
Vanadium Corporation of America, 200 Park Avenue, New York 17, New York.
E. J. Lavino & Company, 3 Penn Center Plaza, Philadelphia, Pa.

DESCRIPTION OF THE INDUSTRY

The production of ferroalloys requires specialized technology, high temperature smelting equipment, and other specialized manufacturing facilities. Due to the special nature of the processes involved, skilled personnel, both workers and supervisors, can be trained only by the industry. The industry supplies about 160 products that are essential in making steel, iron, non-ferrous alloys, space age metals, and some basic materials for the chemical and electronic industries. In recent years, the manganese and chrominum ferroalloys have made up about 61% of the total tonnage, with 65% of the value of the products of the industry.

With the exception of high carbon ferromanganese, which can also be produced in a blast furnace, all of the large tonnage manganese and chromium ferroalloys must be produced in electric furnaces because of the high smelting temperatures and special chemistry required. These alloys are made by reacting mixtures of chromium or manganese ore with coke, and/or other reducing agents, and iron ore, scrap steel, or silica. The special equipment and technology involved in the furnace operation restricts their output to ferroalloys. Moreover, the same equipment cannot be used interchangeably and differently to produce manganese, chromium, or silicon alloys without extensive modification.

Electrolytic manganese and chromium metals are produced by passing an electric current through an aqueous solution of compounds of the element which deposits exceedingly pure metal on the cathode. Unique equipment is required for producing each metal, and the processes are considered to be among the most difficult to initiate and sustain.

In 1962, there were 15 producers of manganese and chromium ferroalloys; 7 made only manganese, one only chromium, and 7 both chromium and manganese products. A list of the producers and products made by each is shown on the following page.

MANGANESE FERROALLOYS

The metallic element of manganese is indispensable for the production of steel, aluminum, welding rod coating, welding fluxes and certain chemicals. Approximately 90% of the manganese produced is used in steel making where it functions as a scavenger, removing certain impurities, as iron is refined into steel. It prevents tearing or cracking during hot-rolling and forging, and in larger amounts imparts such properties as strength, toughness, and hardness to structural, engineering and military steels.

Every ton of steel produced requires an average of fourteen pounds of manganese, and without manganese, there would be no steel, because there are no suitable substitutes. Manganese is essential in the peacetime economy, but it becomes most vital in times of national emergency, when requirement increase substantially because of increased demand for steel and non-ferrous metals, and the greater demand for high strength super alloy steels to make guns, ships, aircraft, missiles and turbines which require larger quantities per ton.

U.S. PRODUCERS OF MANGANESE AND CHROMIUM FERROALLOYS

[E—Electric: B—Blast: X—Other]

Producer	Plant	Chromium	Manganese		Other
			Ferro-manga-nese	Silico-manga-nese	
American Chrome Co	Nye, Mont	E	--------	--------	
American Potash & Chemical Corp	Aberdeen, Miss	--------	--------	--------	X
The Anaconda Co	Anaconda, Mont	--------	E	--------	
Bethlehem Steel Co	Johnstown, Pa	--------	B	--------	
Chromium Mining & Smelting Corp	Chicago, Ill	--------	--------	--------	X
	Memphis, Tenn	E	E	E	X
Foote Mineral Co	Buffalo, N.Y	--------	--------	--------	X
	Knoxville, Tenn	--------	--------	--------	X
Interlake Iron Corp	Beverly, Ohio	E	--------	E	
E. J. Lavino & Co	Reusens, Va	--------	B	--------	
	Sheridan, Pa	--------	B	--------	
Ohio Ferro-Alloys Corp	Brilliant, Ohio	E	--------	--------	
	Philo, Ohio	--------	E	E	X
Pittsburgh Metallurgical Co., Division Air Reduction Co., Inc.	Niagara Falls, N.Y	E	E	E	
	Calvert County, Ky	E	E	E	
	Charleston, S.C	E	E	E	
Tennessee Products & Chemical Corp	Rockwood, Tenn	E	E and B	E	X
	Chattanooga, Tenn	E	E	E	X
Tenn-Tex Alloy & Chemical Corp	Houston, Tex	--------	E	E	
Union Carbide Metals Co	Niagara Falls, N.Y	E	--------	--------	
	Alloy, W. Va	E	E	E	X
	Marietta, Ohio	E	E	E	X
	Ashtabula, Ohio	--------	E	E	
	Sheffield, Ala	--------	E	E	
	Portland, Oreg	--------	E	E	
United States Steel Corp	Ensley, Ala	--------	B	--------	
	Duquesne, Pa	--------	B	--------	
Vanadium Corp. of America	Graham, W. Va	E	E	E	X
	Cambridge, Ohio	--------	E	--------	X
	Keokuk, Iowa	E	--------	--------	X
	Vancoram, Ohio	E	--------	--------	X

To meet the requirements of the end products for other elements such as carbon, silicon, iron and phosphorus, and to facilitate mixing with molten metals, manganese is used as a pure metal, or combined with iron, and/or silicon, with or without carbon, to form alloys of various grades. The following table shows the grades of manganese products, with chemical composition and uses.

MANGANESE FERROALLOYS

Manganese alloy	Chemical specifications	Application
Standard ferromanganese	Mn—74 to 82 percent	All carbon steels.
	Si—1-percent maximum	Alloy steels.
	C—6.5 to 7.5 percent	Welding rod coatings.
Silicomanganese	Mn—65 to 68 percent	Killed carbon steels.
	Si—12 to 20 percent	Alloy steels.
	C—1.5 to 3 percent	Welding flux.
Medium-carbon ferromanganese	Mn—80 to 85 percent	Alloy steels.
	Si—1.5-percent maximum	Drawing quality steels.
	C—1.5-percent maximum	
Low-carbon ferromanganese	Mn—90 to 95 percent	Stainless steels.
	Si—1-percent maximum	Alloy steels.
	C—0.1 to 0.7 percent	Deep-drawing quality steels.
	P—0.06 to 0.20 percent	Welding rod coatings.
Electrolytic manganese	Mn—99.9 percent	Stainless steels.
	Si—Trace	Deep-drawing steels.
	C—Trace	Aluminum.
	P—Trace	Welding rod coatings, high heat-resistant alloys, copper alloys, superalloy steels.
Low iron ferromanganese	Mn—88 to 92 percent	Aluminum.
	Si—3-percent maximum	
	C—6.5 to 7.5 percent	
	P—0.04 percent	
	Fe—2 percent	

The fourteen domestic producers of manganese ferroalloys operate plants at 29 locations. In 1961, 878,574 tons of manganese products, (gross weight), were shipped, with a value of $184 million.

The two major steel producers, with a reported 45% of the total U.S. ingot capacity, produce their own high carbon ferromanganese in blast furnaces. On a contained manganese basis, their usage of "captive" ferromanganese represents 31% of the U.S. manganese consumption, therefore, the "Available Market" to the ferroalloy producers is approximately 69% of the total manganese consumed. In times of national emergency, the captive facilities for standard ferromanganese may be required for pig iron or hot metal production, and, therefore, the proportion of the non-captive market to the total can very substantially increase.

IMPORTS AND PRODUCTION

To accurately determine the impact of imports of manganese ferroalloys on domestic producers, the imports must be compared with "Available Market", and not to total production, shipments or consumption figures, as reported by the Bureau of Mines. The total market available to the domestic manganese ferroalloy industry and imports in 1961 was estimated to have been about 441,000 tons of contained manganese, with a market value of $140 million. The tonnage and value of the U.S. "Available Market" for manganese ferroalloys is shown in Table I, with percentage of imports for each year, 1957 through 1962. Since 1957, imports of manganese alloys for commercial use have shown a rapid rise. These imports have increased from 5.8% of the "Available Market" during 1957, to 23.5% in 1962, with a value at domestic prices of about $35 million. Imports in 1962 were 185% of the 1960 imports, while the total domestic market increased only 8%. It should be noted that imports of manganese ferroalloys in 1962 were 163.0 million pounds greater than in 1957, while "Available Market" was 31.5 million pounds less.

TABLE I.—AVAILABLE MARKET

[Noncaptive U.S. consumption of manganese products versus imports for consumption, 1957–62. Value of imports shown at domestic price]

	1957		1958		1959		1960		1961		Preliminary 1962	
	Thousands of pounds contained manganese	Value (thousands)	Thousands of pounds contained manganese	Value (thousands)	Thousands of pounds contained manganese	Value (thousands)	Thousands of pounds contained manganese	Value (thousands)	Thousands of pounds contained manganese	Value (thousands)	Thousands of pounds contained manganese	Value (thousands)
High-carbon ferromanganese:[1]												
Total U.S. consumption (noncaptive)	676,500	$113,800	493,700	$83,000	585,800	$98,500	589,600	$86,400	598,100	$87,700	633,800	$80,200
Imports for consumption	25,200	4,200	67,300	10,500	97,600	16,400	82,000	12,000	144,000	21,100	158,600	20,100
Percent imports	3.7	----------	12.6	----------	16.7	----------	13.9	----------	24.1	----------	25	----------
Siliconmanganese:												
Total U.S. consumption	151,200	29,300	115,600	22,400	131,200,	25,500	131,200	22,300	148,700	25,300	161,500	25,000
Imports for consumption	10,200	2,000	17,800	3,500	25,000	4,900	20,100	3,400	26,900	4,600	34,200	5,300
Percent imports	6.7	----------	15.4	----------	19.1	----------	15.3	----------	18.1	----------	21.2	----------
Medium- and low-carbon ferromanganese:												
Total U.S. consumption	112,100	28,600	85,700	21,900	100,500	25,600	110,000	26,400	104,200	25,000	105,400	25,300
Imports for consumption	20,300	5,200	14,600	3,700	22,500	5,700	16,300	3,900	13,900	3,300	22,900	5,500
Percent imports	18.1	----------	17	----------	22.4	----------	14.8	----------	13.3	----------	21.7	----------
Electrolytic manganese:												
Total U.S. consumption	21,200	7,400	18,100	6,300	25,200	8,700	30,800	10,800	31,900	11,150	28,800	9,600
Imports for consumption	----------	----------	----------	----------	64	22	485	169	1,129	395	3,000	1,000
Percent imports	----------	----------	----------	----------	0.3	----------	1.6	----------	3.5	----------	10.4	----------
Total (above products):												
Total U.S. consumption	961,000	179,100	713,100	133,600	842,700	158,300	861,600	145,900	882,900	149,150	929,500	140,100
Imports for consumption	55,700	11,400	94,700	17,700	145,164	27,022	118,885	20,200	185,929	31,400	218,700	35,350
Percent imports	5.8	----------	13.3	----------	17.2	----------	13.8	----------	21.1	----------	23.5	----------

[1] Includes low Fe Fe Mn.

Source: U.S. Department of Interior and U.S. Department of Commerce.

Major exporters to the U.S. market were France, West Germany, Republic of South Africa, Norway and Japan. Table II shows the imports of manganese alloys by product and sources, with the declared values for 1961 and 1962.

CHROMIUM FERROALLOYS

The metallic element, chromium, is used as an alloying element for a long list of important ferrous and non-ferrous alloys, thus, chromium is a most essential metal in both the peacetime and wartime economies of the nation. Stainless steels normally contain 18%, and some grades as much as 25% chromium. Additional major end uses for the chromium ferroalloys are in the manufacture of super-alloys for major space age applications, high-temperature and super-strength steels, armor plate, tool and die steels, structural and engineering steels, aluminum and copper-base alloys, heat-resistant and abrasive-resistant cast irons, hard-facing alloys, electrical-resistance alloys and a host of others.

TABLE II.—MANGANESE FERROALLOYS—MAJOR EXPORTERS TO U.S. MARKET AND DECLARED VALUE

	1961			1962		
	Thousands of pounds contained manganese	Percent imports	Average declared value (cents per pound)	Thousands of pounds contained manganese	Percent imports	Average declared value (cents per pound)
High-carbon ferromanganese:						
France	43,206	30.9	7.5	62,208	40.0	7.2
West Germany	15,848	11.3	7.8	34,257	22.1	7.8
Yugoslavia	12,864	9.3	7.8	4,179	2.7	7.7
India	10,430	7.5	11.8	9,175	5.9	9.8
Republic of South Africa	43,015	30.7	7.2	24,159	15.5	7.4
Brazil				8,463	5.4	7.5
Total [1]	139,779		8.1	155,360		7.6
Silicomanganese:						
Yugoslavia	3,355	12.4	9.4	1,573	4.6	9.7
Japan	732	2.8	10.2	5,550	16.3	9.8
Norway	9,370	34.8	8.8	12,747	37.3	8.2
Belgium	7,509	27.9	10.2	5,600	16.4	9.2
Spain	4,419	16.4	10.3	3,117	9.1	10.2
Mexico				5,294	15.5	9.8
Total [1]	26,944		9.3	34,155		8.9
Medium-carbon ferromanganese:						
France	4,200	32.0	17.7	7,752	36.9	14.1
Japan	8,294	63.0	13.3	12,002	57.3	13.2
Total [1]	13,160		13.8	21,025		
Low-carbon ferromanganese:						
West Germany	500	65.5	24.6	1,084	56.2	23.8
France	263	34.5	24.0	845	43.8	23.0
Total	763			1,929		
Low-iron Ferromanganese:						
Chile	720	17.1		441	13.6	
Japan	3,499	82.9		2,811	86.4	
Total	4,219			3,252		
Electrolytic manganese:						
Japan	1,127	99.8	23.2	2,026	67.3	22.8
Republic of South Africa				980	32.6	20.6
Total [1]	1,129		23.2	3,008		22.2

[1] Including countries not listed.

Chromium's principal contributions to steel and other alloys are to enhance such properties as hardenability, resistance to deformation at high temperatures, creep strength, impact values, resistance to corrosion, oxidation, and resistance to abrasion.

Chromium is used as a pure metal or alloyed with iron or silicon. The alloys, chemical composition and applications of chromium alloys are as follows:

CHROMIUM FERROALLOYS

Chromium alloy	Chemical specifications	Application
Low-carbon ferrochromium	Cr—67 to 72 percent C—0.02 to 2 percent Si—1 to 5 percent	Stainless steels. High temperature alloys.
High-carbon ferrochromium	Cr—58 to 70 percent C—4 to 9 percent Si—1 to 5 percent	Stainless steels. Engineering steels. Tool steels. Alloy steels moderate chromium content. Armor plate.
Ferrochromium silicon	Cr—35 to 55 percent Si—24 to 46 percent C—0.05 to 1.5 percent	Stainless steels.
Chromium metal	Cr—99.8 percent	Electrical resistance alloys. High temperature alloys. Aluminum. Superalloys.
Other grades: Exothermic ferrochromium, ferrosilicon chromes, and exothermic silicon chrome.		

The consumption figures given by the Bureau of Mines is considered to represent the "Available Market" since no captive chromium alloys are produced. In 1961, eight companies with 18 electric furnace plants in 9 states shipped 313,800 tons of chromium ferroalloys valued at about $104.2 million. Table III shows the domestic consumption in millions of pounds of contained chromium, value of alloys in years 1957 through 1962, and imports as percent of the domestic consumption (Government Stockpile excluded).

TABLE III.—AVAILABLE MARKET

[Total U.S. consumption of chromium products versus imports for consumption 1957–62 [1] (value of imports shown at domestic price)]

	1957		1958		1959		1960		1961		1962	
	Thousands of pounds contained chromium	Value (thousands)	Thousands of pounds contained chromium	Value (thousands)	Thousands of pounds contained chromium	Value (thousands)	Thousands of pounds contained chromium	Value (thousands)	Thousands of pounds contained chromium	Value (thousands)	Thousands of pounds contained chromium	Value (thousands)
High-carbon ferrochrome:												
Total U.S. consumption	71,450	$17,300	63,000	$15,600	108,650	$25,300	103,650	$23,000	112,100	$23,200	120,550	$23,800
Imports for consumption	11,950	2,900	12,400	3,060	4,350	1,100	2,550	565	6,950	1,440	14,900	2,940
Percent imports	16.7	----------	19.7	----------	4.0	----------	2.5	----------	6.2	----------	12.3	----------
Low-carbon ferrochrome:												
Total U.S. consumption	155,750	61,400	116,700	45,500	152,950	58,500	124,250	42,800	132,250	42,500	132,500	42,900
Imports for consumption	9,450	3,720	8,850	3,450	16,250	6,340	7,300	2,550	8,900	2,880	34,600	11,200
Percent imports	6.1	----------	7.6	----------	10.6	----------	5.9	----------	6.7	----------	26.1	----------
Chromium metal:												
Total U.S. consumption	(2)	(2)	(2)	----------	3,500	4,100	3,200	3,750	3,550	4,150	3,700	3,450
Imports for consumption	675	885	490	610	850	985	435	510	1,115	1,300	1,295	1,515
Percent imports	(2)	(2)	(2)	----------	24.3	----------	13.6	----------	31.4	----------	35.0	----------
Total chromium: [3]												
Total U.S. consumption	291,950	----------	234,500	----------	337,900	----------	301,400	----------	323,900	----------	330,900	----------
Imports for consumption	22,075	----------	21,740	----------	21,450	----------	10,285	----------	16,965	----------	50,795	----------
Percent imports	7.6	----------	9.3	----------	6.4	----------	3.4	----------	5.2	----------	15.3	----------

Sources: Pounds of chromium by alloy—Bureau of Mines. Average prices—American Metal Market and Steel magazine.

[2] Not available.

[3] Including ferrochrome silicon.

Note: Average price per pound of chromium:

High-carbon ferrochrome: 1957: 24.25 cents; 1958: 24.7 cents; 1959: 23.25 cents; 1960: 22.2 cents; 1961: 20.7 cents; 1962: 19.75 cents; (chrg. chromium).

Low-carbon ferrochrome: 1957: 39.4 cents; 1958: 39.0 cents; 1959: 39.0 cents; 1960: 34.4 cents; 1961: 32.4 cents; 1962: 32.3 cents; (0 05 C Low-carbon ferrochrome).

Chromium metal: 1957: 1.31 cents; 1958: 1.25 cents; 1959–62: 1.17 cents.

During the last four years, 1959 to 1962, the consumption of chromium as chromium ferroalloys has ranged between 301 million and 337 million pounds. In 1962, it is estimated that 330 million pounds were consumed, of which 51.0 million, or 15.8% was imported. The domestically produced chromium for consumption decreased from about 306 million pounds in 1959, down to 280 million pounds in 1962, while imports increased about 29 million pounds. From 1960 to 1962, the imports of high carbon and low carbon ferrochrome have shown a five-fold increase. The imports of low carbon ferrochrome and chromium metal, in 1962, reached an alarming 26.1% and 35% of the domestic market for these products.

As will be noted in Table IV, Sweden, West Germany, Japan, Italy and the Republic of South Africa are the principal sources of imported chromium products.

TABLE IV.—CHROMIUM FERROALLOYS—MAJOR EXPORTERS TO U.S. MARKET AND DECLARED VALUE

Country	1961			1962		
	Thousands of pounds contained chromium	Percent imports	Average declared value (cents per pound)	Thousands of pounds contained chromium	Percent imports	Average declared value (cents per pound)
LOW CARBON						
Sweden	2,476	28.4	23.2	10,435	29.4	22.0
West Germany	1,948	22.3	23.6	7,584	21.4	23.3
Japan	1,438	16.5	24.7	6,016	17.3	22.4
France	817	9.4	26.2	5,842	16.3	21.4
Yugoslavia	813	9.3	24.9	376	1.0	25.7
Rhodesia-Nyasaland	627	7.2	21.4	739	2.1	21.6
Norway	601	6.9	30.8	3,798	10.7	23.0
Other				653	1.8	23.4
Total	8,720	100.0	24.3	35,443	100.0	22.4
HIGH CARBON						
Japan	2,059	30.1	14.4	3,113	21.0	13.0
Italy	1,560	22.9	17.0	130	.9	15.4
Republic of South Africa	1,469	21.5	10.2	1,346	9.0	9.7
Canada	1,310	19.2	19.7	7,165	48.1	15.8
Norway	190	2.8	16.8	1,289	8.7	14.4
France	153	2.3	19.1	54	.3	18.5
West Germany	51	.7	17.6	1,703	11.8	10.4
Sweden	37	.5	13.6	74	.5	14.9
Total	6,829	100.0	15.2	14,874	100.0	14.0
CHROMIUM METAL						
France	481	43.2	81.5	325	25.1	81.1
Japan	361	32.3	74.5	604	46.5	73.5
United Kingdom	262	23.4	82.0	338	26.2	76.0
West Germany	12	1.1	83.5	29	2.2	76.0
Total	1,116	100.0	79.5	1,296	100.0	76.5

Degree of the Competition Created by Imports of Manganese and Chromium Ferroalloys

The increase of imports of ferroalloys for commercial use has resulted from three principal causes; (1) Spurred on by substantial U.S. Government purchases of ferroalloys during the 1950–1961 period for stockpile, foreign alloy producers greatly increased their productive capacity. Government stockpiling of manganese and chromium has been cut back sharply—ceasing altogether in 1962. This decrease in Government requirements has been reflected in increased imports for the commercial market as the following table shows:

U.S. IMPORTS OF MANGANESE PRODUCTS

[Tons contained manganese]

Year	Total imports	Government imports	Commercial imports
1960	102,885	43,461	59,443
1961	184,329	91,339	92,985
1962	115,617	5,428	108,350

U.S. IMPORTS OF CHROMIUM PRODUCTS

[Tons contained chromium]

Year	Total imports	Government imports	Commercial imports
1960	35,093	29,970	5,123
1961	18,798	10,465	8,333
1962	25,807	0	25,807

(2) Some foreign countries built ferroalloy plants in anticipation of the future needs of their own steel industries. Meanwhile, they are using this capacity to produce material for export. (3) Finally, as the initial impetus of the European Economic Community waned, the excess steel and ferroalloy capacity of established European steelmaking countries has also been turned to production for the export market. With available outlets in the U.S. for ferroalloys, foreign producers with their large excess capacity are supplying a larger and larger portion of the U.S. domestic market at lower and lower prices.

It now appears that overseas producers could supply our entire domestic "Available Market" for high carbon ferromanganese and substantial portions of the other manganese products and ferrochrome requirements in addition to their own needs.

Overseas producers have an advantage over domestic ferroalloy makers in lower costs for labor, transportation and raw materials. Foreign competition is offering their products at prices considerably below those prevailing in the domestic market, and in many cases, near or below domestic production cost. Further, there are strong indications that foreign manganese and chromium ferroalloys are being offered at prices below their actual cost or at prices below their domestic selling prices by such countries as Yugoslavia, India, France and Japan. These factors, plus the rising tide of steel imports that contain foreign produced ferroalloys, which further restrict the domestic market for all ferroalloys, have severely depressed prices in this country.

The average published domestic prices for all manganese and chromium ferroalloys dropped from a peak in 1959 of 18.8¢ per pound of contained manganese, to an estimated 13.9 cents per pound to date, and from 35¢ per pound of chromium, to 21¢ per pound. Charge chrome, a grade of high-carbon ferro-chrome used in making stainless steel sold for 25¾¢ per pound in 1959; the price in April, 1963 was 14¢ per pound. Since 1959, 0.05 carbon low-carbon ferrochrome, an additive to stainless steels and high-temperature alloys has declined in price from 39 to 23 cents per pound. At these low prices, it is no longer profitable to produce chromium alloys, and the industry cannot maintain itself. The following table summarizes the decline in domestic chromium prices since 1959.

DOMESTIC PRICES OF CHROMIUM ALLOYS [1]

[Contained chromium]

	Average (cents per pound)	High ferrochromium (charge chrome) (cents per pound)	Low-carbon ferrochromium (cents per pound)
1959	35	23.25	39.0
1960	33	22.2	34.4
1961	29	20.7	32.4
1962	28	19.75	32.3
			[2] 24.5
1963 (1st quarter)	22	[2] 14.00	[3] 23.0

[1] American Metals Market, and Steel magazine.
[2] Effective January.
[3] Effective February.

The average domestic prices of the two large tonnage manganese ferroalloys, high carbon ferromanganese and silicomanganese, decreased from 16.8 and 19.4¢ per pound of manganese in 1959, to 10.4 and 13.5¢ per pound to date. The following table shows the serious decrease of manganese prices since 1959.

DOMESTIC PRICES OF MANGANESE ALLOYS[1]

(In cents per pound of manganese)

Year	Average prices for all manganese ferroalloys	High-carbon manganese	Silicomanganese	Medium-carbon ferromanganese	Electrolytic manganese
1959	18.8	16.8	19.4	25.5	34.6
1960	16.9	14.7	17.0	24.0	35.3
1961	16.9	14.7	17.0	24.0	35.0
1962	15.1	12.7	15.5	24.0	33.7
1963 (1st quarter)	13.9	10.4	13.5	20.5	31.3

[1] Source: American Metals Market, and Steel magazine.

In spite of price reductions in manganese ferroalloys, to the extent that current prices are substantially below the 1956 levels, there remain price differentials between domestic and imported alloys of from $25 to $80 per ton in the various manganese alloys. As stated, previously, this does not in all cases reflect relative production cost of domestic and foreign operation for some ferroalloys are probably being exported to the U.S. market on an incremental cost (basic production cost, but not including overhead, such as selling expense, research and development, administration, etc.) basis from such countries as Japan, France and Belgium. As with the chromium ferroalloys, the domestic producer cannot sell at the current prices of imported ferroalloys and maintain anything approaching a reasonable margin of profit.

The rapid increase in ferroalloy imports, coupled with substantial imports of alloy steels, and steel products, have combined to force the operating levels of domestic ferroalloy makers down to an unprofitable 50–60 percent of capacity. This near chaotic situation has existed for several years, with no sign of relief.

EFFECT OF IMPORTS UPON DOMESTIC PRODUCTION CAPACITY AND RESTORATION OF DOMESTIC CAPACITY IN AN EMERGENCY

Because the foreign imports have taken approximately 25% and 15% of the manganese and chromium domestic market, respectively, and prices for these alloys have been depressed to an unprofitable level, there has already been a reduction in the ferroalloy production capacity of the domestic industry. Over the past five years, the number of electric furnaces in the industry declined by 15 percent. Manpower losses have been even more severe. The Tariff Commission Report, TC–68, shows that from 1960 to 1961, the skilled production force of the manganese ferroalloy industry decreased by 17 percent. Actual figures are not available, but it is estimated that the manpower loss in the chromium ferroalloy segment of the industry is of the same magnitude. The dates of some of the more recent drastic production capacity cutbacks suffered or projected in the industry are shown below. More information will be included in a confidential statement submitted by individual companies.

Company	*Date*
E. J. Lavino & Company	1962
Chromium Mining & Smelting Corp	1962
Vanadium Corporation of America	1961
American Chrome Company	1961
Tennessee Products & Chemical Corp	1961

Lacking adequate and suitable domestic deposits of either manganese or chrome ore, about 98% of the manganese ore and 100% of the chrome ore consumed in these U.S. is from foreign sources. Because of the important roles which these two elements play in the production of steel, non-ferrous metals and super alloys, and the fact that the U.S. is almost totally dependent upon foreign ore, the U.S. government accumulated, in stockpiles and inventories, a total of over 14,000,000 tons of manganese and chrome ores (including about 15% in ferroalloys), approximately a 8-year supply under emergency conditions. This

ore would have to be converted into ferroalloys before it could be used, therefore, its value in time of emergency is dependent upon the domestic industry's capacity to convert this stockpile into alloys. Under conditions of national emergency, the U.S. could not rely on foreign sources for either raw ore or finished ferroalloys. A national crisis would have world wide repurcussions, resulting in increased demand for manganese and chromium, and probable difficulties in keeping shipping supply lines open.

Serious consideration should further be given to the likelihood of a probable loss of a material portion of the industrial potential of the ferroalloy industry, which is located primarily in highly industrialized areas, in event of an enemy attack. We should not be assured that the industry will be free from any such loss in the future.

Even at present, there is insufficient productive capacity to meet an increased need during a national emergency. Further, under the mounting tide of imports and the unprofitable level of prices in order to meet foreign competition, the domestic industry cannot support a reasonable research and development program, modernize manufacturing facilities, maintain idle equipment or retain the skilled manpower to insure adequate capacity for the national security.

Relative to the steel, non-ferrous, super alloy, aero-space, and other direct defense industries, the ferroalloy producers comprise a small industry, employing less than 10,000 people, but on which U.S. industry, in time of national emergency, to produce steel and many defense items is solely dependent.

To obtain low cost power, electric furnace operators must sign long term power agreements. Many of these costly contracts have expiration dates within the next few years, and the present low operating level will force producers to abandon some contracts and scrap or retire entire plants. The burden of local real estate and personal property taxes will make it impossible to maintain such plants in a standby condition, therefore, they will not be available for ferroalloy production in the event of a national emergency. In order to "stay alive", almost every producer has under study, plans to curtail production facilities and to reduce or eliminate research and development programs. This is included in the confidential information submitted by the individual companies. Imports of manganese and chromium ferroalloys have forced down domestic prices to a point where low margins severely jeopardize any new capital expenditures for production facilities to increase efficiency and meet normal growth requirements because of the inability to realize any return on investment.

The technology of manufacturing ferroalloys is highly specialized and quite different from other metallurgical industries. Because of its specialized nature, little information is available in the literature nor taught in technical institutions. Therefore, the training of Process Ferroalloy Metallurgists, which is only done by the industry itself, is of critical importance. Also, superior skills are required on the part of the workers to initiate and sustain some of the more complex processes, such as the production of electrolytic manganese, electrolytic chromium, low carbon ferrochrome and medium low carbon ferromanganese. Training periods to achieve these skills are of unusually long duration.

When ferroalloy facilities are abandoned, equipment cannibalized, power contracts cancelled, and skilled personnel dispersed, it will require a minimum of 2½ to 3 years to build new plants, train new workers, and obtain a reasonable level of production.

Because of manganese and chromium's strategic importance to national defense, a prompt investigation should be made to determine the effect of imports on the domestic ferroalloy industry and the measures necessary to preserve a strong industry equal to any national emergency. To the extent that ferroalloy imports jeopardize ferroalloy smelting capacity, so do they compromise the value of the Government manganese and chrome ore stockpiles and the strategic potential of the American steel, aluminum, non-ferrous metals and other defense industries.

To maintain a healthy ferroalloy industry capable of meeting the national requirements during periods of emergency, when manganese and chromium alloy usage may be from 50 to 100% greater than peacetime consumption, the necessary measures must be provided that will allow the domestic industry to maintain at least a 90% participation in the domestic market for these alloys, and 100% participation if domestic capacity is less than 75% utilized.

The preservation of this basic industry is vital to the defense of the United States. The following *corrective measure* would adjust the imports so that the domestic market would support a domestic ferroalloy industry that would be able

to maintain sufficient capacity to meet the nation's needs in time of emergency. This measure should be put into effect as promptly as possible:

> A protective quota on all manganese and chromium ferroalloys imports is necessary to provide the domestic industry an adequate base, capable of supporting the production capacity to meet the needs required for national security. It is recommended that a quota be established by specific products on the annual import of manganese and chromium alloys equal to 7½% of the total 1962 consumption of these alloys (10% of the "Available Market"). This is estimated to be equal to the total average annual commercial imports of contained manganese and chromium or ferroalloys for the 5-year period of 1956 through 1960. In event domestic productive capacity is less than 75% utilized, this quota should be wholly abolished.

APPENDIX B

U.S. CONSUMPTION OF MANGANESE PRODUCTS VERSUS IMPORTS FOR CONSUMPTION 1961 THROUGH 6 MONTHS OF 1967

	High-carbon ferromanganese (thousands of pounds contained)			Silicomanganese (thousands of pounds contained)		
	U.S. consumption	Imports	Percent imports	U.S. consumption	Imports	Percent imports
1961	1,090,000	144,000	13.2	148,700	26,900	18.1
1962	1,150,000	158,600	13.7	161,500	34,200	21.2
1963	1,270,000	204,467	16.0	186,000	28,856	15.5
1964	1,410,000	184,200	13.0	230,000	13,800	6.0
1965	1,460,000	288,000	19.6	252,100	23,088	9.2
1966	1,420,000	328,000	23.1	225,000	46,400	19.2
6 months 1967	620,000	210,000	[1] 34.0	97,000	33,000	34.2
Average 1961-65			15.1			14.0

[1] Figured against noncaptive U.S. consumption, this figure would amount to 61.2 percent.

	Medium- and low-carbon ferromanganese (thousands of pounds contained)			Manganese metal (thousands of pounds contained)		
	U.S. consumption	Imports	Percent imports	U.S. consumption	Imports	Percent imports
1961	104,200	13,900	13.3	31,900	1,129	3.5
1962	105,400	22,900	21.7	28,800	3,000	10.4
1963	120,000	26,547	22.1	36,323	4,722	13.1
1964	128,400	19,452	15.2	50,700	1,758	3.5
1965	140,139	42,872	30.4	51,310	2,768	5.4
1966	166,400	33,600	20.2	48,400	4,032	8.3
6 months 1967	83,800	30,400	36.4	22,650	2,574	11.3
Average, 1961-65			20 5			7.2

[1] Figured against noncaptive U.S. consumption, this figure would amount to 61.2 percent.

U.S. CONSUMPTION OF CHROMIUM PRODUCTS VERSUS IMPORTS FOR CONSUMPTION, 1960-66

	High-carbon ferrochrome (thousands of pounds contained)			Low-carbon ferrochrome (thousands of pounds contained)			Chromium metal (thousands of pounds contained)		
	U.S. consumption	Imports	Percent imports	U.S. consumption	Imports	Percent imports	U.S. consumption	Imports	Percent imports
1961	112,100	6,950	6.2	132,250	8,900	6.7	3,550	1,115	31.4
1962	120,550	14,900	12.3	132,500	34,600	26.1	3,700	1,295	35.0
1963	129,600	7,923	6.1	163,200	31,965	19.5	3,800	1,719	45.1
1964	166,000	9,100	5.5	208,000	26,286	12.6	(1)	1,464	
1965	170,000	7,040	4.0	220,000	69,600	31.6	(1)	2,024	
1966	186,000	31,110	16.7	235,500	105,000	44.9	(1)	4,976	
6 months 1967	65,000	8,700	13.4	99,000	46,200	46.5	(1)	2,116	
Average, 1961-65			6.8			19.3			

[1] Not available.

APPENDIX C

SILICONFERROALLOYS

Inasmuch as the proposed Senate bill includes silicon and silicon metal, and since these products were not included in the application to the Office of Emergency Planning attached hereto as Appendix A, it is deemed appropriate to identify the importance of siliconferroalloys in this Appendix C.

The metallic element silicon weighs less than one-third the weight of iron. It is steel gray in color and is produced from quartz and other silica-bearing materials found in great abundance in the earth's crust. Metallic silicon is used to deoxidize molten steel and to develop desirable physical and electrical properties when employed as an alloying element. When used to produce aluminum castings, it imparts fluidity to the molten aluminum and hardness to the finished casting. Significantly, too, silicon is a raw material for the production of silicones utilized in the production of high-temperature lubricants, rubber, varnish and a variety of other special-purpose products.

Imports of 75% ferrosilicon, the most widely used grade of silicon in world markets, have increased dramatically during the past few years as shown below:

1963 imports increased 1,562% over the average for 1961–62.
1964 imports increased 829% over the 1961–63 average.
1965 imports increased 280% over the 1961–64 average.
1966 imports increased 1,136% over the 1961–65 average.

In brief, in 1966, imports of this product had risen to 12,195 net tons and had captured 16.2% of the United States domestic market in that year. (See Appendix C–1 attached).

This increase of imports has occurred during a period of relatively high tariff rates. Since the tariff has been substantially reduced in the recent Kennedy Round of tariff negotiations, it is reasonable to expect that 75% ferrosilicon will soon be a major import item. The combination of low-cost electric water power and labor rates afford Scandinavian countries advantages in world markets which in many instances permit sales at prices below United States production costs.

The maintenance of domestic siliconferroalloy capabilities is essential to our basic steel, aluminum and chemical industries for the same reasons set forth in the petition to the Office of Emergency Planning (Appendix A).

APPENDIX C–1

IMPORTS OF FERROSILICON 1961 THROUGH 1ST 6 MONTHS, 1967

[In thousands of pounds]

	8 to 60 percent silicon imports	60 to 80 percent silicon imports	80 to 90 percent silicon imports	90 percent or over silicon imports	Silicon metal imports
1961	4,527	76	...	...	62
1962	5,044	102	...	10,420	24
1963	3,934	1,303	...	8,100	...
1964	3,541	2,082	...	...	...
1965	28,056	4,804	442	...	...
1966	35,752	24,290	668	...	3,160
1967 (1st 6 months)	14,500	24,800	234	...	162

APPENDIX D

S. ———

A BILL To regulate imports of ferroalloys and related products into the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "The Ferroalloys and Related Products Import Control Act of 1967."

SEC. 2. The Congress finds that increased imports of ferroalloys and related products have adversely affected the United States balance of payments, contributed substantially to reduced employment opportunities for United States workers in the ferroalloys and related products industry, and captured such increasing share of the market for such products in the United States as to

threaten the economic viability of the said domestic industry and the national security. It is, therefore, declared to be the policy of the Congress that access to the United States market for ferroalloys and related products produced abroad should be on an equitable basis to alleviate United States balance of payments problems, provide an opportunity for a strong and expanding United States ferroalloys and related products industry, and prevent further disruption of United States markets and unemployment of United States workers in that industry.

SEC. 3. The President shall by proclamation restrict the total annual imports of ferroalloys and related products to an amount determined by applying the percentage of total imports to total domestic consumption during the years 1961 through 1965 inclusive, to total domestic consumption during the year immediately preceding the year in which the restriction is to apply.

SEC. 4. The President shall apportion such total imports so that the percentage of imports in a particular category (as defined in Section 8(2) below) in any year to total imports shall not exceed the average percentage of imports in that category to total imports during the years 1961 through 1965, inclusive.

SEC. 5. (1) Within the limitations imposed under Sections 3 and 4, the President may adjust the share of United States imports in any category which may be supplied by any nation. In making this adjustment the President shall be guided principally by historical import patterns, but may modify such patterns to accommodate interests of developing nations or other changing conditions of international trade.

(2) The President may suspend any proclamation made under Section 3 or 4 or increase any quantity proclaimed under such Section if he determines and proclaims that such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the nation and the national defense of the economic well-being of the domestic producers of ferroalloys and related products.

SEC. 6. (1) The amount of imports of any category in either half of any year shall not exceed 60 percent of the total permissible amount of imports in that category for such year.

(2) Should any limitation take effect on any day other than January 1 of a year, such limitation shall apply pro rata during the remaining portion of such year.

SEC. 7. (1) Import limitations established by this Act shall be administered by the Secretary of Commerce. The Secretary may issue such regulations as may be necessary or appropriate to carry out the purpose of this Act.

(2) Upon the expiration of 5 years after the date of enactment of this Act, the Secretary of Commerce shall submit a report to the Congress as to the effects of the import limitations established under this Act upon (a) the United States balance of payments, (b) the economic viability of the ferroalloys and related products industry, (c) employment opportunities in such industry, and (d) the national security, together with his recommendations as to whether such import limitations should be continued, modified or revoked. Before making such report, the Secretary shall conduct an investigation and hearing at which all interested parties shall have an opportunity to be heard.

SEC. 8. As used in this Act—

(1) The term "ferroalloys and related products" means low- and high-carbon ferrochrome, low, medium- and high-carbon ferromanganese, ferrosilicon, ferrochrome silicon, siliconmanganese, chromium metal, manganese metal, and silicon metal in the categories defined below.

(2) The term "category" or "categories" means one or more of the following seven digit item numbers appearing in the Tariff Schedules of the United States Annotated (1965) published by the United States Tariff Commission as in effect on the date of enactment of this Act:

607.3000	607.5100
607.3100	607.5200
607.3500	607.5300
607.3600	632.1800
607.3700	632.3200
607.5000	632.4200

(3) The term "imports" refers to United States imports in any category or categories within the meaning of paragraph (2) of this Section.

(4) The term "consumption" means, with respect to any category or with respect to all categories, the sum of United States mill shipments plus imports minus United States exports.

(5) The term "year" means calendar year.

* * * * * * *

SCISSOR AND SHEAR IMPORTS*

90TH CONGRESS
1ST SESSION

S. 2618

IN THE SENATE OF THE UNITED STATES

NOVEMBER 2, 1967

Mr. RIBICOFF introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To provide for orderly trade in scissors and shears.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Orderly Scissors and
4 Shears Marketing Act of 1967".
5 SEC. 2. PURPOSES.—The purposes of this Act are to
6 promote equitable competition between United States and
7 foreign producers of scissors and shears, to provide for orderly
8 trade in scissors and shears and to afford foreign nations sup-
9 plying scissors and shears a fair share of the growth or
10 change in the United States market.
11 SEC. 3. DEFINITIONS.—As used in this Act—

II

*Communications received by the committee on this subject, pp. 1093–1098.

1 (a) "category" shall include all articles designated
2 under item numbers 650.87, 650.89, 650.91, 651.11,
3 and 651.13 of the Tariff Schedules of the United States
4 Annotated (1965), as amended.
5 (b) "scissors and shears" shall include all those
6 articles specified in section 3 (a) of this Act.
7 (c) "United States consumption" of scissors and
8 shears for a given calendar year shall equal the sum of
9 the United States shipments and imports of scissors
10 and shears during such year, less the quantity of United
11 States exports of scissors and shears for such year.
12 SEC. 4. The President is authorized and directed to
13 undertake negotiations with other governments for the pur-
14 pose of consummating agreements to provide orderly trade in
15 scissors and shears, including the quantitative limitation of
16 imports of all such articles into the United States. Such
17 agreements shall limit the annual importation of scissors
18 and shears in each category to the average share of the
19 United States consumption in each category supplied by im-
20 ported scissors and shears during a representative historical
21 period of not less than three calendar years prior to the year
22 1967, as determined by the President. Such representative
23 historical period shall be the same for all countries and all
24 categories of scissors and shears. The President shall have
25 full authority to determine the share of total imports in any

1 category of scissors and shears which may be supplied by any
2 country to the United States on the basis of historical patterns
3 of such imports, the interests of developing countries, and
4 such other factors affecting trade in such categories as he
5 deems appropriate.
6 SEC. 5. After one hundred and eighty days after the date
7 of the enactment of this Act, the total quantity of imports
8 in each category of scissors and shears not subject to an
9 agreement or agreements negotiated pursuant to section 4 or
10 to proclamations issued under section 5 shall be limited by
11 category as follows:
12 (a) During the balance of the year in which this section
13 becomes effective, the total quantity of any such scissors
14 and shears which may be entered, or withdrawn from ware-
15 house, for consumption shall be equal to that proportionate
16 share of the average annual imports of scissors and shears
17 for the years 1962–1966 which the number of days remain-
18 ing in the calendar year bears to three hundred and sixty-
19 five.
20 (b) Beginning with the calendar year following the
21 year in which this Act becomes effective, the total quantity
22 of any such scissors and shears which may be entered, or
23 withdrawn from warehouse, in that year and each succeeding
24 calendar year, shall be equal to the average annual quantity
25 of such articles entered, or withdrawn from warehouse, for

1 consumption during the given calendar years 1962–1966,
2 *Provided, however,* That the total quantity of such scissors
3 and shears in any category shall be increased or decreased
4 in each succeeding calendar year by a percentage correspond-
5 ing to the percentage increase or decrease (if more than 5
6 per centum) in the United States consumption in such cate-
7 gory in such calendar year compared with the year previous
8 thereto, except that the amount of such increase in any
9 category which may be entered or withdrawn from ware-
10 house for consumption during any calendar year shall not
11 exceed 10 per centum of the amount of such increase in
12 United States consumption of such category.
13 (c) The President shall have full authority to determine
14 the share of imports in any category which may be supplied
15 by any country to the United States on the basis of histori-
16 cal patterns of such imports, the interests of developing coun-
17 tries, and such other factors affecting trade as he deems ap-
18 propriate.
19 SEC. 6. The President may issue such regulations as
20 may be necessary to carry out the purposes of this Act.

THE A. LINCOLN CO.,
Bridgeport, Conn.

Hon. RUSSELL LONG,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR: Since 1951 this small scissor and shear manufacturing company has continued to operate on a non profit basis for its owner Mr. Alden Lincoln a descendent, incidentally, of President Abraham Lincoln, due primarily, I believe, to the advent of reduced import tariffs put into effect at that approximate time.

You might ask why we continued all this time and the answer probably is yankee stubbornness and a belief that eventually our administrators in Washington would come around to agree, in majority, that before we can help others around the globe (which we should) and eliminate or win wars (which we must) that we ourselves must not only be spiritually progressive but also mentally, physically and materially strong.

We also believe that small business and the independent producer has been and will continue to be the back bone of this country.

This letter is certainly brief, simple but I believe, to the point and for reasons stated above, we respectfully request your strong support in favor of import quota legislation for scissors and shears now being introduced by the Senate Finance Committee.

Very truly yours,

BAXTER H. BROWN, *Vice President.*

STATEMENT BY B. C. DEUSCHLE, PRESIDENT, SHEARS, SCISSORS AND MANICURE IMPLEMENT MANUFACTURERS ASSOCIATION

SUMMARY

Mr. Deuschle's statement on behalf of the domestic manufacturers of scissors and shears supports legislation for import quotas on scissors, shears, sewing sets and manicure and pedicure sets. Attached to his statement is a proposed bill drafted along the lines of the "orderly marketing" bills being considered by the Senate Finance Committee.

Imports of the articles covered by the draft bill increased 9.6 percent between 1964 and 1965 and 14.9 percent between 1965 and 1966. The value of the imports in 1966 was over 8.5 million dollars. The upward trend has continued during 1967.

In 1950 and 1951 the import duties on scissors and shears were cut 50 percent. Since that time imports have increased so that in 1966 they were *35 times* the average prewar imports of 1931–1940. During the past four years imports of scissors and shears have *increased 29 percent* and during the past three years sewing sets and pedicure and manicure sets have *increased 28 percent*

During each of the past eight years imports of scissors and shears (valued over $1.75 per dozen, which account for 95 percent of imports) have *exceeded domestic* production of comparable items.

As a result of the flood of low-cost imports, employes have been layed off and U.S. firms have been put out of business. Since 1950, 80 percent of the domestic firms producing scissors and shears have closed.

Mr. Deuschle points out that the domestic industry has increased efficiency and cut cost in an effort to remain in business. However, domestic firms just can't match the costs of production in western Europe and Japan.

The loss of this industry is not only a blow to our economy, the workers and their families but a very serious threat to the national welfare. Scissors and shears are essential tools in every school, retail establishment, office, factory, hospital and home in the United States. If imports were suddenly cut off by some emergency it is questionable whether there would be sufficient equipment and skilled workers available to produce our military and essential civilian requirements of scissors and shears.

The legislation recommended by Mr. Deuschle would go a long way in preserving the essential industry in the United States.

STATEMENT

Mr. Chairman, and members of the Committee on Finance, my name is B. C. Deuschle. I am Vice President of the Acme Shear Company, located in Bridgeport, Connecticut. I appear before this Committee as President of the Shears, Scissors and Manicure Implement Manufacturers Association, the only national trade association of domestic manufacturers of scissors and shears.

The United States shears and scissors industry is a classic example of what happens to an important domestic industry and its employes when sacrificed by the government in trade negotiations. As a result of the United States trade policy our industry has been almost completely annihilated by low cost imports.

During the past 20 years representatives of our association have appeared before this Committee and other Congressional committees, the Tariff Commission and committees of the executive to present our views on the impact of imported scissors and shears on our domestic industry. In fact, representatives of our industry appeared before this committee in 1929 in connection with the legislation that became the Tariff Act of 1930. We have never requested or even suggested that a complete embargo be placed on the import of scissors and shears. All that we have asked for and desire is a fair competitive opportunity, not an advantage. This is all we are asking for now.

I come before this committee to request on behalf of the domestic scissors and shears industry that legislation be reported to the Senate providing for orderly trade in scissors and shears. Attached to my statement as Appendix A is a proposed bill that is drafted along the lines of the legislation being considered by this Committee.

This proposed bill would limit imports of scissors, shears, sewing sets and manicure sets to a representative historical period. The articles included in the bill are those imported under the following item numbers of the Tariff Schedules of the United States Annotated:

Item No.	*Article*
650.87	Scissors and shears and blades therefor valued not over 50 cents per dozen.
650.89	Scissors and shears and blades therefor valued over 50 cents but not over $1.75 per dozen.
650.91	Scissors and shears and blades therefor valued over $1.75 per dozen.
651.11	Sewing sets, and pedicure or manicure sets, and combinations thereof in leather cases.
651.13	Sewing sets, and pedicure or manicure sets, and combinations thereof in cases other than leather.

As noted below during the past eight years imports of the major category of scissors and shears (Item number 650.91) have exceeded domestic production.

The firms in our industry are truly "small business". There are no domestic manufacturers that employ more than 500 workers producing scissors and shears. Ours is a distinct industry and should not be confused with the larger cutlery and flatware industries.

In 1949 there were approximately 50 firms in the United States manufacturing scissors and shears. The industry was located principally in the northeastern coastal states with several factories in the Midwest. Many of the firms were family-owned and were established more than 50 years ago.

Today there are less than 10 firms producing scissors and shears in the United States. Some of these have remained in business, despite losses, hoping that the government would take some action to enable them to retain a fair share of the domestic market.

What is the reason for the demise of our industry? *Imports produced with low cost labor.*

We received the one-two punch during 1950–1951 in two import duty reductions as a result of the trade agreement negotiations at Annecy, France and Torquay, England. As a result of the 50 percent reduction in import duties on scissors and shears imports surged and the domestic industry began to perish. We believe that the only fctor that has limited the increase in imports has been the inability of foreign manufacturers to expand their capacity to keep pace with the United States demand for their scissors and shears. This demand is due to low prices of imported scissors and shears made possible by the low wages paid in foreign countries.

During the prewar period 1931–1940, imports of scissors and shears averaged 366,794 pairs annually. There was a decline in imports after 1937 and only token shipments during World War II.

Following the end of World War II, the backlog of demand for scissors and shears made it possible for foreign producers to quickly re-establish themselves in the domestic market. At the same time, the domestic producers were converting their plants to peace-time products with the result that for several years the demand was sufficient to absorb both the domestic production and imports. During this postwar period, the rate of duty on imported scissors and shears was cut 50 percent. As a result, imports were stimulated—but at the expense of the domestic production.

The Bureau of Census reported that during 1949 there were 150,372 pairs of scissors and shears imported into the United States. As a result of the import duty reductions that became effective May 30, 1950 imports in 1950 increased more than five times to 825,616 pairs. The second reduction was effective October 1, 1951 and imports jumped to 2,213,031 pairs during that year.

Accelerated by the duty reductions during 1950 and 1951, imports continued to increase and, as shown in attached Appendix B, in 1966 totaled 12,857,008 pairs.

Approximately 95 percent of the value of these imports are scissors and shears valued over $1.75 per dozen (Tariff Schedules of the United States, Annotated; Item Number 650.91). All imports of scissors and shears have had an adverse impact on the domestic industry but due to the large portion being valued over $1.75 per dozen it is these that have caused the greatest problem.

The Tariff Commission during the 1953–54 investigation of our industry established that, "The minimum importers' selling price for imports entered in the more-than-$1.75-per-dozen classification, taking account of the duty, costs of delivery to the United States, etc., and importers' normal mark-up, is about $4.80 per dozen". This relationship is still valid. Domestic production of scissors and shears valued over $4.80 per dozen in recent years accounted for approximately 75 percent of the total value of domestic production.

During 1951 when the second reduction in the import duty became effective the ratio of imports (value at more than $1.75 per dozen) to domestic shipments (value at more than $4.80 per dozen) based on value had increased to 13 percent. However, this was just the beginning. In five years the ratio was up to 38 percent and in 1961 it was 68 percent. Imports continued to take a larger share of the United States market and last year (1966) the foreign producers had increased imports to 77 percent of shipments by domestic manufacturers.

Measuring the ratio of imports to domestic production on quantity shows even a greater penetration in our market. During 1966 the quantity of scissors and shears imported (valued over $1.75 per dozen) *exceeded* domestic production for the eighth consecutive year.

During the period 1963–1966 imports of scissors and shears valued not over 50 cents per dozen increased 50 percent and those valued over 50 cents but not over $1.75 per dozen were up 33 percent. The major category, those valued over $1.75 per dozen, was up 26 percent.

The Bureau of the Census did not report imports of sewing sets and pedicure and manicure sets as separate item until late in 1963. The imports for 1964–66 are shown in Appendix B, attached to my statement. It will be noted that those in leather cases increased 26 percent during three years and sets in cases other than leather were up 58 percent.

During the period since the duty reductions, we have not been sitting, watching imports grow and our markets shrink. Those of us that have not been forced to close have installed more semi-automatic grinding and polishing machines. We have taken steps to reduce costs and increase the efficiency of our operations. But with increasing labor costs the domestic firms just can't match the costs of production in western Europe and Japan.

The obvious answer to the plight of our industry is import quotas. The draft legislation attached to my statement (Appendix A) would in no way preclude the import of scissors and shears. It can be described as nothing more than a *moderate quota bill*. Without such a quota we can only see further deterioration of our industry.

Some may question why the domestic scissors and shears industry should be given this type of assistance? The importance of our industry cannot be measured just by the value of output, taxes paid and employment provided. These are all

important considerations. But more important is the value of our industry to safety and general welfare of the United States.

When representatives of our industry testified before this Committee in 1929, we noted that in April 1917 when the United States entered World War I the government asked our industry to furnish surgical scissors as none were being produced in the United States because of the low import duty. Our industry produced and delivered one million pairs in a very short time.

Between World War I and World War II, foreign producers regained the market for surgical scissors in the United States. When the United States entered World War II, it was again necessary to provide a domestic source for surgical scissors and many types of special scissors and shears necessary to produce war materials. Our industry again converted to the manufacture of special equipment, but it required high priorities to secure the necessary materials and time to train workers and prepare the facilities for producing scissors and shears for defense needs. It was necessary to stop the production of many types of scissors and shears so that the special types could be produced. During World War II, common types of scissors and shears were put to unusual uses. For example, pinking shears were used for cutting the cloth used in covering liaison planes and embroidery scissors were used by the electronics industry.

The workers in our industry are highly skilled craftsmen and many have done no other type of work in their lifetime. The skill required in producing scissors and shears is unique to that production and cannot be readily adapted to other products. We cannot understand how it could be in the national interest to permit the loss that has taken place, as well as the loss of capital investment in production equipment. The trend of the past 17 years must be reversed.

If some emergency cut off imports, it is questionable whether there would be sufficient equipment and skilled workers available to produce our military and essential civilian requirements of scissors and shears.

Scissors and shears of all sizes and type are used in every school, retail establishment, office, factory, hospital and home in the United States. They cannot be classified as a luxury, gimmick or novelty.

They are used to separate us from our mothers at birth, to cut our toe nails, to trim the leather in our shoes, to cut and trim the materials in the clothing we wear. They are used to cut our finger nails, to trim our mustache, the hair in our ears and nose, and to cut the hair on our head—even down to the end of the road when our best suit or dress is cut down the back so that the undertaker can dress us for the last ride. Scissors and shears are truly used from birth to death. They are essential to our health, education and general welfare. I ask you, gentlemen, is this an industry that should be permitted to become extinct in this country?

We request that the Committee report an Orderly Scissors and Shears Marketing Act of 1967 to the Senate.

Thank you.

APPENDIX A

A BILL To provide for orderly trade in scissors and shears

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Orderly Scissors and Shears Marketing Act of 1967.

SEC. 2. PURPOSES.—The purposes of this Act are to promote equitable competition between United States and foreign producers of scissors and shears, to provide for orderly trade in scissors and shears and to afford foreign nations supplying scissors and shears fair share of the growth or change in the United States market.

SEC. 3. DEFINITIONS.—As used in this Act—(a) "category" shall include all articles designated under item numbers 650.87, 650.89, 650.91, 651.11 and 651.13 of the Tariff schedules of the United States Annotated (1965), as amended.

(b) "Scissors and shears" shall include all those articles specified in section 3(a) of this Act.

(c) "United States consumption" of scissors and shears for a given calendar year shall equal the sum of the United States shipments and imports of scissors and shears during such year, less the quantity of United States exports of scissors and shears for such year.

SEC. 4. The President is authorized and directed to undertake negotiations with other governments for the purpose of consummating agreements to provide orderly trade in scissors and shears, including the quantitative limitation of imports of all such articles into the United States. Such agreements shall limit the annual importation of scissors and shears in each category to the average share of the United States consumption in each category supplied by imported scissors and shears during a representative historical period of not less than three calendar years prior to the year 1967, as determined by the President. Such representative historical period shall be the same for all countries and all categories of scissors and shears. The President shall have full authority to determine the share of total imports in any category of scissors and shears which may be supplied by any country to the United States on the basis of historical patterns of such imports, the interests of developing countries, and such other factors affecting trade in such categories as he deems appropriate.

SEC. 5. After one hundred and eighty days after the date of the enactment of this Act, the total quantity of imports in each category of scissors and shears not subject to an agreement or agreements negotiated pursuant to section 4 or to proclamation issued under section 5 shall be limited by category as follows:

(a) During the balance of the year in which this section becomes effective, the total quantity of any such scissors and shears which may be entered, or withdrawn from warehouse, for consumption shall be equal to that proportionate share of the average annual imports of scissors and shears for the years 1962–1966 which the number of days remaining in the calendar year bears to three hundred and sixty-five.

(b) Beginning with the calendar year following the year in which this Act becomes effective, the total quantity of any such scissors and shears which may be entered, or withdrawn from warehouse, in that year and each succeeding calendar year, shall be equal to the average annual quantity of such articles entered, or withdrawn from warehouse, for consumption during the given calendar years 1962–1966, *Provided, however*, That the total quantity of such scissors and shears in any category shall be increased or decreased in each succeeding calendar year by a percentage corresponding to the percentage increase or decrease (if more than 5 per centum) in the United States consumption in such category in such calendar year compared with the year previous thereto, except that the amount of such increase in any category which may be entered or withdrawn from warehouse for consumption during any calendar year shall not exceed 10 per centum of the amount of such increase in United States consumption of such category.

(c) The President shall have full authority to determine the share of imports in any category which may be supplied by any country to the United States on the basis of historical patterns of such imports, the interests of developing countries, and such other factors affecting trade as he deems appropriate.

SEC. 6. The President may issue such regulations as may be necessary to carry out the purposes of this Act.

APPENDIX B

U.S. IMPORTS FOR CONSUMPTION

650.87 Scissors and shears and blades therefor valued not over 50 cents per dozen

Year	Quantity (pairs)	Value
1963	647,817	$23,384
1964	650,524	24,684
1965	890,537	32,378
1966	974,660	39,774

650.89 Scissors and shears and blades therefor valued over 50 cents but not over $1.75 per dozen

Year	Quantity (pairs)	Value
1963	1,993,896	$187,331
1964	1,885,473	171,232
1965	1,990,409	181,349
1966	2,641,968	222,065

650.91 SCISSORS AND SHEARS AND BLADES THEREFOR VALUED OVER $1.75 PER DOZEN

Year	Quantity (pairs)	Value
1963	7,345,194	3,497,339
1964	7,756,538	3,630,906
1965	8,553,617	4,006,509
1966	9,240,375	4,513,812

651.11 SEWING SETS AND PEDICURE OR MANICURE SETS, AND COMBINATIONS THEREOF IN LEATHER CASES

Year	Value
1964	$2,711,277
1965	2,941,211
1966	3,417,147

651.13 SEWING SETS AND PEDICURE OR MANICURE SETS, AND COMBINATIONS THEREOF IN CASES OTHER THAN LEATHER

Year	Value
1964	$134,250
1965	153,273
1966	212,174

Source: Bureau of Census.

(S. 2560, to provide for orderly trade in stainless steel table flatware, follows:)

STAINLESS STEEL TABLE FLATWEAR IMPORTS*

90TH CONGRESS
1ST SESSION

S. 2560

IN THE SENATE OF THE UNITED STATES

OCTOBER 19, 1967

Mr. RIBICOFF introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for orderly trade in stainless steel table flatware.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Stainless Steel Table
4 Flatware Orderly Trade Act of 1967".
5 SEC. 2. The Congress finds that Proclamation 3323 pro-
6 claimed by the President October 20, 1959, contributed sub-
7 stantially to an orderly trade in stainless steel table flatware.
8 Imports of stainless steel table flatware have grown 50 per-
9 cent since the modification of Proclamation 3323 in January
10 1966. A prompt and sustained increase in imports is ex-
11 pected as a result of the termination of Proclamation 3323

II

*Communication received by the committee on this subject, p. 1102.

1 on October 11, 1967, causing a severe dislocation in the
2 domestic industry and contributing to reduced employment
3 opportunities.

4 It is, therefore, declared to be the policy of Congress that
5 access to the United States market for foreign-produced stain-
6 less steel table flatware should be on an equitable and orderly
7 basis consistent with the maintenance of a strong and expand-
8 ing United States stainless steel table flatware industry and
9 designed to avoid the disruption of United States markets
10 and the unemployment of stainless steel table flatware
11 workers.

12 SEC. 3. (a) Headnote 2 to subpart E, part 3, schedule 6
13 of the Tariff Schedules of the United States is amended by
14 inserting "(a)" immediately after the headnote designation
15 "2" and by adding at the end thereof a new paragraph as
16 follows:

17 "(b) Quota on certain knives, forks, and spoons.—The
18 provisions of items 650.09, 650.11, 650.39, 650.41, and
19 650.54 in this subpart applicable to knives, forks, and spoons
20 shall cease to apply with respect to any of such articles,
21 if valued under 25¢ each and not over 10.2 inches in overall
22 length, when the total aggregate quantity of such articles
23 of such value and length (including any article of such
24 description included in sets provided for in item 651.75),
25 the product of countries subject to the rates set forth in rate

1 of duty column numbered 1, which have been entered in
2 any calendar year reaches 69 million single units,"
3 (b) The article descriptions for items 650.09, 650.11,
4 650.39, and 650.41 of the Tariff Schedules of the United
5 States are amended by adding at the end of each such
6 description the following: ", subject to the provisions of
7 headnote 2(b) of this subpart".
8 (c) The Tariff Schedules of the United States are
9 amended as follows:
10 (1) Immediately following item 650.11 insert a new
11 item coordinate therewith as follows:

"	650.12	Other	3¢ each + 67.5% ad val.	3¢ each + 67.5% ad val. "

12 (2) Immediately following item 650.41 insert a new
13 item coordinate therewith as follows:

"	650.42	Other	3¢ each + 67.5% ad val.	3¢ each + 67.5% ad val. "

14 (3) Delete item 650.55 and insert in lieu thereof new
15 provisions as follows:

"		With stainless steel handles:		
	650.54	Spoons and ladles, subject to the provisions of headnote 2(b) of this subpart.	17% ad val.	40% ad val.
	650.55	Other	60% ad val.	60% ad val. "

16 (d) The amendments made by this section shall apply
17 with respect to articles entered, or withdrawn from ware-
18 house, for consumption on and after January 1, 1968.

STATEMENT OF STAINLESS STEEL FLATWARE MANUFACTURERS ASSOCIATION, SUBMITTED BY LOWE B. MARTIN, COUNSEL, ON BEHALF OF S. 2560, AN ACT TO PROVIDE FOR ORDERLY TRADE IN STAINLESS STEEL TABLE FLATWARE

This statement is filed on behalf of the Stainless Steel Flatware Manufacturers Association, a trade association made up of ten domestic producers of stainless steel table flatware who account for over 85% of domestic production of these articles. A list of these companies is included as Appendix A.

S. 2560 introduced by Senator Abraham Ribicoff seeks to reestablish a tariff quota which has demonstrated over an eight year period that a reasonable approach to increased imports is beneficial to all parties concerned. This bill will again provide a vehicle for an orderly trade in Stainless Steel Flatware.

The outstanding success of the tariff quota on imports of stainless steel flatware can well be used as an example of the benefits that accrue to the U.S. economy when an import quota is applied to certain specified products. In the 8 years of its operation, it has provided job security for thousands of American workmen, safety for many American investors and contributed strongly to the welfare of those cities and towns whose principal industry is flatware manufacturing.

At the same time, it benefitted greatly importers and foreign manufacturers by bringing order to a chaotic market where quality was constantly being sacrificed in profitless price wars. During the eight years of the quota significant strides were made toward establishing an orderly market for stainless flatware in the U.S. Sales of imports increased equally, if not in a higher rate than domestic manufacturers sales. Quality of product, foreign and domestic, improved far more rapidly than corresponding prices thus, substantially benefitting American consumers.

The U.S. Flatware Industry is one of America's oldest with its roots going back 100 to 150 years. Relatively small and concentrated mainly in small cities and towns of the East, it has always been progessive and aggressive, constantly developing the most efficient facilities possible with which to make the types of flatware best suited to the needs and desires of all the American public. Prior to World War II and Korea, it was the largest manufacturer of flatware in the world with an important and profitable export business as well as constantly increasing domestic volume of sales.

Of all U.S. industries affected by imports from Japan, made possible by the fantastic industrial development following World War II, the stainless steel flatware industry was unquestionably one of those most severely injured. By 1957 it had lost practically all of its export business and its U.S. market was rapidly being absorbed by imports. It is our considered judgment the tariff quota saved the U.S. flatware industry from complete demoralization and consequent destruction.

The rapidity with which the increase in imports developed staggered the U.S. industry. Prior to 1953, there were practically no imports. In that year, the first for which import statistics were available, imports were 883,000 dozens accounting for 7.6% of total U.S. consumption. By 1957, they had catapulted to 10,600,000 dozen and absorbed 44.7% of total U.S. consumption. Thousands of American working men and women lost their jobs. Cities and towns dependent upon flatware manufacturing suffered badly. Responsible importers found their sales preempted by "Johnny come lately fast buck operators" who destroyed all pretense of orderly marketing procedures.

In 1957, the U.S. Tariff Commission unanimously found the domestic flatware industry to be seriously injured by imports of stainless steel flatware, mainly from Japan. After two years experience with a voluntary quota offered by the Government of Japan, and which was grossly violated, the President in 1959 proclaimed a tariff quota limiting imports of certain stainless steel flatware to 5,750,000 dozens for each 12-month period starting November 1, 1959. The record of accomplishment from that date to October 11, 1967, is impressive. Both U.S. producers and foreign manufacturers have benefited.

The quota restored a sufficient share of the U.S. market to domestic producers to warrant the capital expenditure of $12,000,000 between 1959 and 1966 for plant, machinery and other improvements to increase efficiency. Sales increased 60% within that period, employment increased 15% and man hours worked increased 46%. While profits, on average, have been low in relation to other industries, the domestic flatware industry has made substantial and encouraging progress during the 8 years the tariff quota has been in effect.

During this same period, imports have also shown steady growth. Between 1961 and 1966, following an adjustment period after the tariff quota was proclaimed in 1959, imports of quota and non-quota typed have increased 93%. At the end of 1966, imports accounted for 23.7% of total U.S. consumption and are steadily increasing as Taiwan, Korea, and Hong Kong join Japan in serving the U.S. market.

Prior to 1959, Japan, the principal exporting nation of stainless steel flatware, concentrated its principal selling efforts on the U.S. market. The imposition of the tariff quota obviously inspired Japan to direct aggressive selling efforts to other world markets. It has been very successful. While the U.S. was, and still is its principal market, its world market has expanded at a very rapid rate. Between 1959 and 1966, its exports of quota and non-quota type flatware to the U.S. increased 170%. During that same period, its exports to other world markets increased 73%. Today Japan makes and sells more units of table flatware than any other country in the world. It is now No. 1. The U.S. is No. 2.

One unanticipated but very important benefit of the tariff quota to American consumers has been the improvement in quality of both foreign and domestic made stainless steel flatware. The U.S. market is intensely competitive and domestic and foreign manufacturers have concentrated their efforts to improving the quality of the product they provide in the various price ranges from the lowest to the highest. An outstanding example is the formation recently of a guild of manufacturers in Tsubame, Japan to aggressively promote the sale of fine quality stainless steel flatware. Today this product is readily available in the U.S. market and is the equal in quality to that made anywhere in the world. A far cry from the inferior quality of flatware which composed the bulk of the imports originally received from Japan and concrete testimony of one of the principal benefits received by American consumers because of the quota.

These effects of the tariff quotas were succinctly stated in the Tariff Commission Report to the President in April 1965 as follows:

"Apparently the rise in the average value of quota-type flatware imported from Japan reflects an increase not only in the proportion of higher quality ware imported but also in the prices paid for goods of comparable quality. Limiting the quantities that may be imported without the payment of an increased duty contributed to both of these trends.

"Some importers, although dissatisfied with the changes made by the TSUS in the description of the articles subject to the U.S. tariff quota, appear to benefit from the quota itself. Japan's practice of allocating export licenses to firms on the basis of their purchases in former years, as well as the U.S. tariff quota, tends to assure such firms a known share of a limited market, allows them to upgrade their merchandise, and permits them to sell at somewhat increased prices without fear of severe competition from other importers. In general, the importation of flatware is now conducted primarily by firms that specialize in flatware and tableware, and by certain retail outlets that import directly.[1]

"Firms that formerly imported flatware as a sideline, or only occasionally as special opportunities arose, have for the most part ceased to do so."

The foregoing is a brief history of the salutary effects of the quota which can be summarized as follows:

1. It saved a substantial portion of the U.S. flatware industry from extinction with consequent loss of investment and employment opportunities for American working men and women.
2. Provided new jobs and added more hours of labor.
3. Contributed substantially to the improving welfare of cities and towns where flatware plants are principal support.
4. Developed an orderly market for importers and foreign manufacturers with increasing profit for both.
5. Improved quality of all stainless flatware without important increases in price much to the advantage of U.S. consumers.
6. Provided for an orderly growth in sales by domestic and foreign manufacturers.

Respectfully submitted.

LEWE B. MARTIN, *Secretary*.

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[1] Page 41 T.C. Publication 152, April 14, 1965.

APPENDIX A

MEMBERS OF THE ASSOCIATION

Gorham Corporation, Providence, Rhode Island.
Hobson & Botts Company, Inc., Danbury, Connecticut.
Imperial Knife Associated Companies, Inc., New York, New York.
International Silver Company, Meriden, Connecticut.
The Majestic Silver Company, New Haven, Connecticut.
Oneida Ltd., Oneida, New York.
Reed & Barton Corporation, Taunton, Massachusetts.
Utica Cutlery Company, Utica, New York.
Voos Associates, Inc., Mt. Carmel, Connecticut.
Washington Forge, Inc., Englishtown, New Jersey.

(S. 2556, to amend the Tariff Schedules of the United States with respect to the rate of duty on certain watch movements, follows:)

WATCH MOVEMENT DUTY RATES*

90TH CONGRESS
1ST SESSION

S. 2556

IN THE SENATE OF THE UNITED STATES

OCTOBER 18, 1967

Mr. DIRKSEN (for himself and Mr. HARTKE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Tariff Schedules of the United States with respect to the rate of duty on certain watch movements.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the following items in schedule 7, part 2, subpart E of
4 the Tariff Schedules of the United States (19 U.S.C. 1202)
5 are amended as follows:
6 (1) Item 716.10 is amended by striking out "90¢
7 each" and inserting in lieu thereof "$1.35 each";
8 (2) Items 716.11 and 716.12 are each amended
9 by striking out "75¢ each" and inserting in lieu thereof
10 "$1.125 each";

II O

*Communications received by the committee on this subject, pp. 1109–1112.

2

1 (3) Item 716.13 is amended by striking out "75¢
2 each" and inserting in lieu thereof "$1.05 each";
3 (4) Item 716.14 is amended by striking out "75¢
4 each" and inserting in lieu thereof "93¢ each";
5 (5) Item 716.15 is amended by striking out "75¢
6 each" and inserting in lieu thereof "84¢ each";
7 (6) Item 716.20 is amended by striking out "$1.80
8 each" and inserting in lieu thereof "$2.50 each";
9 (7) Item 716.21 is amended by striking out "$1.35
10 each" and inserting in lieu thereof "$2.025 each";
11 (8) Item 716.22 is amended by striking out $1.35
12 each" and inserting in lieu thereof "$2 each";
13 (9) Item 716.23 is amended by striking out "$1.20
14 each" and inserting in lieu thereof "$1.75 each";
15 (10) Items 716.24 and 716.25 are each amended
16 by striking out "90¢ each" and inserting in lieu thereof
17 "$1.35 each";
18 (11) Item 716.26 is amended by striking out "90¢
19 each" and inserting in lieu thereof "$1.25 each";
20 (12) Item 716.30 is amended by striking out
21 "$1.80 each +9¢ for each jewel over 7" and inserting
22 in lieu thereof "$2.50 each +13.5¢ for each jewel over
23 7";
24 (13) Item 716.31 is amended by striking out
25 "$1.35 each +9¢ for each jewel over 7" and inserting

1 in lieu thereof "$2.025 each + 13.5¢ for each jewel
2 over 7";
3 (14) Item 716.32 is amended by striking out
4 "$1.35 each + 9¢ for each jewel over 7" and inserting
5 in lieu thereof "$2 each + 13.5¢ for each jewel over 7";
6 (15) Item 716.33 is amended by striking out
7 "$1.20 each + 9¢ for each jewel over 7" and inserting
8 in lieu thereof "$1.75 each + 13.5¢ for each jewel
9 over 7";
10 (16) Items 716.34 and 716.35 are each amended
11 by striking out "90¢ each + 9¢ for each jewel over 7"
12 and inserting in lieu thereof "$1.35 each + 13.5¢ for
13 each jewel over 7";
14 (17) Item 716.36 is amended by striking out "90¢
15 each + 9¢ for each jewel over 7" and inserting in lieu
16 thereof "$1.25 + 13.5¢ for each jewel over 7";
17 (18) Item 718 is amended by striking out "Col-
18 umn 1 base rate + 50¢ for each" and inserting in lieu
19 thereof "Column 1 base rate + 75¢ each"; and
20 (19) Item 719 is amended by striking out "Col-
21 umn 1 base rate + 50¢ each + 50¢ for each adjust-
22 ment" and inserting in lieu thereof "Column 1 base
23 rate + 75¢ each + 50¢ for each adjustment".
24 SEC. 2. The foregoing amendment shall enter into effect
25 as soon as practicable on a date to be specified by the Presi-

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1 dent in a notice to the Secretary of the Treasury following
2 such negotiations as may be necessary to effect a modifica-
3 tion or a termination of the international obligations of the
4 United States with which the amendment would be in
5 conflict.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: We are writing to support Senate Bill 2556 which was introduced by Senator Hartke and Senator Dirksen. The bill would restore the rates of duty on certain watches and watch movements which were in effect, pursuant to escape clause action, from July, 1954 until January, 1967.

The escape clause rates were reduced by Presidential Proclamation January 11, 1967. That Proclamation restored the rates to the pre-1954 level established by a 1936 trade agreement with Switzerland.

If Senate Bill 2556 does not pass, the United States will become the only major country which has no watch industry. Since January, 1967, when the rates were reduced, Elgin National Watch Company has closed all of its U.S. production facilities. Waltham had already ceased U.S. production. The only remaining manufacturers of wrist watch movements are Hamilton Watch Company, Bulova Watch Company and U.S. Time Corporation. They are under severe economic pressure to do likewise.

The President had been forewarned of this result before he acted to reduce the duties, not only by the industry itself but by the Tariff Commission. The Tariff Commission unanimously advised the President in March of 1965 that withdrawal of the escape clause rates would produce an "idling of productive facilities and a decrease in the manufacture of U.S. watch movements beyond that which has already occurred . . ." (Report to the President on Investigation No. TEA-1A-2, March 1965, p. 5.) If the President was persuaded by those engaged in administration of the U.S. trade program that he could ignore this advice because no such results would follow, he was erroneously advised. If he disregarded the industry and the Tariff Commission, his action was contrary to the intent of Congress as expressed in the text and the legislative history of the escape clause provisions of the Trade Expansion Act of 1962.

In either case, the effect upon the U.S. watch industry was contrary to the national security interests of the United States. On July 23, 1954, a Preparedness Subcommittee of the Committee on Armed Services reported that it was "in the interests of national defense to keep this essential industry alive and vital." On December 23, 1964, a Subcommittee of the Committee on Armed Services again reported that the industry "is important to the national security of this country."

These findings were apparently disregarded on the basis of advice to the Office of Emergency Planning from the Secretary of Defense in a letter dated February 26, 1966. That letter contained the erroneous conclusion, among others, that non-watch companies in the U.S. "are currently able to meet the peak mobilization rates for safety and arming devices," and that "there is a basis for believing that they would be able to meet peak mobilization requirements for mechanical timing devices as well as for safety and arming devices." At the time that letter was written there was inadequate capacity in the U.S. to meet then requirements for the limited emergency in Viet Nam, even with the U.S. watch industry very heavily involved. The U.S. producers of mechanical timing devices were ordering millions of parts per week for the fuze program from Switzerland. These parts come from the Swiss watch industry. The available Swiss capacity for such parts was so strained that some contractors had to turn to West Germany. Some temporary shut-downs of U.S. production occurred because of delay of Swiss shipment. It is incredible to us that the Secretary could say, under these circumstances, that there was adequate capacity to meet *peak mobilization* rates even with the watch industry, much less without the industry.

There are even more basic fallacies in the Secretary's letter, but there is no reason to debate them at this point. It is sufficient here to say that it does not correspond with the information collected by the Secretary's staff in an intensive investigation lasting over nine months.

The fact is that the influence of those responsible for the trade agreements program is now so great within the Executive Branch that no findings and no evidence will be allowed to stand in the way of duty reductions which they deem desirable. No administrative relief is possible under the machinery provided by the Trade Expansion Act. Experience shows that it must be provided by Congress.

Sincerely,

HAMILTON WATCH COMPANY.
By PAUL F. MICKEY.
U.S TIME CORPORATION.
By WILLIAM SIMON.

AMERICAN WATCH ASSOCIATION, INC.,
New York.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is being submitted by the American Watch Association, representing approximately 50 leading U.S. firms engaged in importing watch movements and assembling complete watches for sale in the U.S. and world markets. I would appreciate it if the AWA's views could be incorporated in the record of the Senate Finance Committee's current hearings on import quota proposals.

On January 11, 1967, after an exhaustive investigation lasting more than three years, President Johnson issued an order reducing U.S. duties on most watch movements by an average of one-third. Prior to the President's action, U.S. watch tariffs were essentially at the levels prevailing under the Smoot-Hawley Tariff Act of 1930. These "escape clause" rates had been in effect since 1954, a total of more than 12½ years and the longest period of such relief for domestic manufacturers in U.S. history.

Even today, following the termination of the escape clause, watch tariffs remain at levels which prevailed 31 years ago. By contrast, duties on the overwhelming proportion of commodities brought into the United States have been reduced to a fraction of the levels which prevailed three decades ago.

Bills have been introduced in the Senate and House to reverse the President's decision by Congressional action. In light of the unusually careful review which preceded the President's action, we urge the Senate Finance Committee to take no action affecting watch imports. The evidence before the President strongly indicated that the firms engaged in domestic watch manufacturing had made a substantial and successful adjustment to import competition since 1954. The President also had before him the results of an extended and detailed study by the Office of Emergency Planning, in cooperation with the Defense Department and other agencies, rejecting the claims of the domestic watch companies that they are essential to the national defense. The OEP report confirmed a similar ruling handed down in 1958 by President Eisenhower's defense advisers. In short, there is no basis, we believe, on which action to limit watch movement imports can be justified.

However, if legislation applying to imported watch movements should be offered for serious consideration, it should not be acted upon by the Finance Committee without thorough hearings. As Committee members may recall from their experience in 1966 with the problems of imposing quotas on duty-free watches from U.S. insular possessions, matters relating to the watch industry are exceedingly complex and involve a number of competing U.S. interests. Every one of the so-called "domestic" manufacturers is a substantial importer of watch products. On the other hand, most of the major importers are engaged in substantial domestic operations; two-thirds or more of the value of a typical "imported" watch is added in the United States. Watch tariff disputes are primarily a struggle for commercial advantage between two segments of the U.S. industry.

It is a fact, shown by official U.S. Tariff Commission statistics on apparent U.S. consumption, that domestic watch production has *increased* following the President's rollback decision in January 1967. During the first six months of 1967, preliminary figures indicate that domestic watch production rose to 8,761,000 from 7,956,000 in the first six months of 1966, up 10 percent. Imports rose to 9,931,000 in the first six months from 9,232,000 a year ago, an increase of 7 percent. The greatest part of the increase in imports came immediately after the President acted in January, reflecting the usual tendency to postpone entry when a tariff reduction is imminent. If January results in both years are left out of the picture, the increase in imports through June 1967 was only 1 percent.

The share of the market claimed by domestic production has actually increased by 3 percent during the first six months of 1967 as compared to 1966. Certainly this picture gives no basis for rebutting the President's conclusion that the domestic producers are well able to take care of themselves.

Furthermore, it is of interest that the firms comprising the domestic watch industry are themselves substantial importers of watch movements, accounting for between one-quarter and one-third of all imports. The category of imports showing the greatest increase in the first six months of 1967 is one in which Bulova, a domestic manufacturer, is the principal importer for its inexpensive

Caravelle line. Were it not for the increase in this particular category of movements, clearly the result of Bulova's own activity, total imports in February–June 1967 would actually have declined compared with the similar period last year. This is a very significant fact, when considered in the context of legislative proposals which would establish a "trigger" for imposing quotas when imports climb or domestic production decreases. It demonstrates that under such an arrangement, the domestic watch manufacturers—which control parallel production facilities in this country and abroad—would be in a position to dictate the imposition of quotas whenever they wished, simply by increasing their own imports and holding back temporarily their production in the U.S.

Some people may claim that the recent announcement by Elgin that it plans to close down its factory in South Carolina demonstrates that tariff reduction has adversely affected the fortunes of the domestic industry. A closer examination will reveal that Elgin's present difficulties are the result of disastrous losses incurred in 1964 and 1965 through substantial underbidding on defense contracts. The management responsible for the company's serious financial reverses was turned out in a bitter proxy fight. The company continued to make money on its watch business throughout but was in a seriously weakened financial condition. We believe that any careful study would shown that Elgin's decision to shut its South Carolina factory is no more an indication of basic weakness on the part of other watch producers than the decision of Studebaker to abandon U.S. automobile production was an indication of weakness in the U.S. auto industry. In any case, the performance of others in the industry should lay to rest the notion that Elgin's problems are representative; clearly, they are not.

Certainly by every economic standard the other companies are enjoying record prosperity:

Bulova achieved sales of $124 million and earnings of $3.9 million in the fiscal year ended March 31, 1967. Both represented all-time records for the 94-year-old company. Bulova officials have stated flatly that the reduction in the escape clause rates "imposed no economic penalty on the company." The Long Island *Newsday* quoted Bulova President Harry B. Henshel as saying recently that Bulova is working at peak capacity, "particularly at its Long Island plants" where its successful Accutron is produced for the U.S. market. Bulova officials told stockholders on June 13, 1967, "in the next two years we will continue to expand our manufacturing facilities for both watch cases and movements."

Hamilton had sales of $55.8 million and profits of $2.6 million in fiscal 1966, both all-time records for the company. In its annual report which forecast "further growth and progress in both sales and profits" despite the tariff reduction, Hamilton told stockholders "your company is well protected with both foreign and domestic watch sources." The firm's factory in Lancaster, Pa., was operating "at near capacity levels," President Arthur B. Sinkler reported. Sales for the six months ended July 31, 1967, were up 4 percent from the same period in 1966.

General Time, which is primarily in the clock business, set new all-time records on $110.9 million of sales and $3.3 million in profits during 1966. Wall Street analysts expect sales to climb to $130–$140 million in 1967 with a boost of more than 8 percent in earnings per share. General Time's President Barton K. Wickstrum said recently: "The company's earnings have increased in every quarter on a 12-month basis since the first quarter of 1963, and we see no reason why this record should stop."

U.S. Time (Timex) is a privately-held corporation and is not required to report its sales publicly. However, the company's Chairman and President, Joakim L. Lehmkuhl, in a letter to the editor appearing in the July 28, 1967, issue of *Time*, boasted that U.S. Time is the biggest firm in the U.S. watch industry with 1966 sales of $143 million, a record for the company. While Mr. Lehmkuhl did not reveal current earnings, U.S. Time has traditionally been by far the most profitable firm in the industry. U.S. Time overall growth has been the greatest in the industry during the past decade, and Timex continues to dominate the low price watch field. Indeed, *U.S. News & World Report*, in its issue of August 21, 1967 said that Timex "accounted for more than 48 percent of all wrist watches sold in U.S. retail stores in the year ended March 31, 1967." The company expects "a substantial gain" in volume during 1967, the story said.

We are well aware of the fact that the domestic watch manufacturers say that they can make more money by moving overseas and that they sometimes threaten privately to shut down their domestic operations unless this or that action is taken to curb import competition. Similar threats have been voiced by these companies for many years; yet domestic watch production today is at its all-time high and sales and earnings are also. Obviously, the President and his advisers believed that these perennial threats were without substance. So do we.

In the event that these matters come before the Senate Finance Committee, we hope the committee will agree that no action is warranted. But in any case we trust that before any action is considered all claims advanced by representatives of the domestic industry will be subjected to searching inquiry allowing for full hearings at which we will have an opportunity to testify.

Sincerely,

JULIAN LAZRUS.

(S. 2476, to amend title III of the Trade Expansion Act of 1962 to establish more effective criteria for a finding of serious injury to domestic industry as a result of concessions granted under trade agreements, to make mandatory the findings of the Tariff Commission with respect to the necessity for tariff adjustment, and for other purposes, follows:)

90TH CONGRESS
1ST SESSION

S. 2476

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 27, 1967

Mrs. SMITH (for herself, Mr. AIKEN, Mr. ALLOTT, Mr. ANDERSON, Mr. BENNETT, Mr. BIBLE, Mr. BYRD of West Virginia, Mr. COTTON, Mr. DOMINICK, Mr. ERVIN, Mr. FANNIN, Mr. HANSEN, Mr. HARTKE, Mr. HICKENLOOPER, Mr. HOLLINGS, Mr. HRUSKA, Mr. INOUYE, Mr. JORDAN of North Carolina, Mr. LAUSCHE, Mr. McINTYRE, Mr. MUNDT, Mr. MUSKIE, Mr. PROUTY, Mr. SYMINGTON, Mr. THURMOND, and Mr. YOUNG of North Dakota) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title III of the Trade Expansion Act of 1962 to establish more effective criteria for a finding of serious injury to domestic industry as a result of concessions granted under trade agreements, to make mandatory the findings of the Tariff Commission with respect to the necessity for tariff adjustment, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsections (b) and (c) of section 301 of the Trade
4 Expansion Act of 1962 are amended to read as follows:
5 "(b) (1) Upon the request of the President, upon

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1 resolution of either the Committee on Finance of the Senate
2 or the Committee on Ways and Means of the House of Repre-
3 sentatives, upon its own motion, or upon the filing of a peti-
4 tion under subsection (a) (1), the Tariff Commission shall
5 promptly make an investigation to determine whether, as a
6 result, in whole or in part, or concessions granted under trade
7 agreements, an article is being imported into the United
8 States in such increased quantities, either actual or relative,
9 as to cause, or threaten to cause, serious injury to the domestic
10 industry producing an article which is like or directly com-
11 petitive with the imported article.
12 "(2) In making its determination under paragraph
13 (1), the Tariff Commission shall take into account all eco-
14 nomic factors which it considers relevant, including idling of
15 productive facilities, inability to operate at a level of reason-
16 able profit, and unemployment or underemployment.
17 "(3) For purposes of paragraph (1), increased im-
18 ports, either actual or relative, shall be considered to cause,
19 or threaten to cause, serious injury to the domestic industry
20 concerned when the Tariff Commission finds that such in-
21 creased imports have contributed in any substantial degree
22 toward causing, or threatening to cause, serious injury to such
23 industry. The Tariff Commission shall make a finding of seri-
24 ous injury or threat thereof to the domestic industry when it
25 finds that—

1 "(A) increased imports have contributed or are
2 contributing in any substantial degree to a declining vol-
3 ume of domestic production, regardless of other influ-
4 encing factors, or
5 "(B) the ratio of imports to domestic production
6 exceeded 10 per centum during the calendar year imme-
7 diately preceding the initiation of the Tariff Commission
8 investigation.
9 "(4) No investigation for the purpose of paragraph (1)
10 shall be made, upon petition filed under subsection (a) (1),
11 with respect to the same subject matter as a previous investi-
12 gation under paragraph (1), unless one year has elapsed
13 since the Tariff Commission made its report to the President
14 of the results of such previous investigation.
15 "(c) (1) In the case of a petition by a firm for a
16 determination of eligibility to apply for adjustment assist-
17 ance under chapter 2, the Tariff Commission shall promptly
18 make an investigation to determine whether, as a result, in
19 whole or in part, of concessions granted under trade agree-
20 ments, an article like or directly competitive with an article
21 produced by the firm is being imported into the United
22 States in such increased quantities, either actual or relative,
23 as to cause, or threaten to cause, serious injury to such firm.
24 In making its determinations under this paragraph, the

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1 Tariff Commission shall take into account all economic
2 factors which it considers relevant, including idling of pro-
3 ductive facilities of the firm, inability of the firm to operate
4 at a level of reasonable profit, and unemployment or under-
5 employment in the firm.

6 "(2) In the case of a petition by a group of workers
7 for a determination of eligibility to apply for adjustment
8 assistance under chapter 3, the Tariff Commission shall
9 promptly make an investigation to determine whether, as
10 a result, in whole or in part, of concessions granted under
11 trade agreements, an article like or directly competitive with
12 an article produced by such workers' firm, or an appropriate
13 subdivision thereof, is being imported into the United States
14 in such increased quantities, either actual or relative, as to
15 cause, or threaten to cause, unemployment or underemploy-
16 ment of a significant number or proportion of the workers of
17 such firm or subdivision.

18 "(3) For purposes of paragraphs (1) and (2), in-
19 creased imports, either actual or relative, shall be considered
20 to cause, or threaten to cause, serious injury to a firm or
21 unemployment or underemployment, as the case may be,
22 when the Tariff Commission finds that such increased im-
23 ports have contributed in any substantial degree toward
24 causing, or threatening to cause, such injury or such unem-
25 ployment or underemployment. The Tariff Commission shall

1 make a finding of serious injury or threat thereof to a firm
2 when it finds that—
3 "(A) increased imports have contributed or are
4 contributing in any substantial degree to a declining
5 volume of production by such firm, regardless of other
6 influencing factors, or
7 "(B) the ratio of imports to the domestic pro-
8 duction of the domestic industry concerned exceeded 10
9 per centum during the calendar year immediately pre-
10 ceding the initiation of the Tariff Commission investi-
11 gation.
12 "The Tariff Commission shall make a finding of unem-
13 ployment or underemployment or threat thereof with re-
14 spect to the workers of a firm or subdivision when it finds
15 that—
16 "(A) increased imports have contributed or are
17 contributing in any substantial degree to a declining
18 volume of production by such firm or subdivision, regard-
19 less of other influencing factors; or
20 "(B) increased imports have contributed or are
21 contributing in any substantial degree to a decline
22 amounting to 5 per centum or more (in man-hours
23 or wages paid) of direct labor employed by such firm
24 or subdivision."

1 SEC. 2. Section 301 of the Trade Expansion Act of 1962
2 is amended by adding at the end thereof the following new
3 subsection:
4 "(h) In determining for purposes of this section whether
5 an unprocessed article is directly competitive with an im-
6 ported article at a later stage of processing (within the
7 meaning of section 405(4)), the Tariff Commission shall,
8 among other factors, weigh carefully the relationship of the
9 unprocessed article and the imported article, the number
10 of processes involved, and the number and volume of sec-
11 ondary materials required."
12 SEC. 3. (a) (1) Section 302(a) of the Trade Expan-
13 sion Act of 1962 is amended—
14 (A) by striking out "the President may" and in-
15 serting in lieu thereof "the President shall";
16 (B) by inserting "and" at the end of paragraph
17 (2);
18 (C) by striking out, ", or." at the end of paragraph
19 (3) and inserting in lieu thereof a period; and
20 (D) by striking out paragraph (4).
21 (2) Section 302(c) of such Act is amended by striking
22 out "the President may" and inserting in lieu thereof "the
23 President shall."
24 (b) (1) Section 351(a) of the Trade Expansion Act
25 of 1962 is amended to read as follows:

1 "(a) After receiving an affirmative finding of the Tariff
2 Commission under section 301 (b) with respect to an in-
3 dustry, the President shall, within sixty days after the date
4 on which he receives such affirmative finding, proclaim such
5 increase in, or imposition of, any duty or other import
6 restriction on the article causing or threatening to cause
7 serious injury to such industry as is found and reported by
8 the Tariff Commission under section 301 (e) to be necessary
9 to prevent or remedy serious injury to such industry."
10 (2) Section 352 (a) of such Act is amended—
11 (A) by striking out "in lieu of exercising the au-
12 thority contained in section 351 (a) but subject to the
13 provisions of sections 351 (a) (2), (3), and (4)" and
14 inserting in lieu thereof "in lieu of taking the action
15 otherwise required under section 351 (a)"; and
16 (B) by striking out "section 351 (a) (1)" and
17 inserting in lieu thereof "section 351 (a)".

GP

CLEARY, GOTTLIEB, STEEN & HAMILTON,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: Enclosed in connection with the Senate Finance Committee's hearings on import restrictions is a statement submitted by the Sportings Arms and Ammunition Manufacturers' Institute in support of S. 2476, introduced by Senator Margaret Chase Smith.

In summary, SAAMI supports S. 2476 as a reasonable approach toward limiting imports which threaten the economic viability of the domestic sporting arms and ammunition industry. Even under present sporting arms and ammunition tariffs, which will soon be reduced by 50 percent as a result of the Kennedy Round, imports ratio to domestic production is over 13 percent. The domestic industry's essentiality to the national security and the serious economic impact that increasing imports have had upon the industry and its workers require that the Congress take affirmative action to prevent serious injury in the future.

We respectfully request that this letter and the attached statement be incorporated in the record of the hearings.

Sincerely yours,

ROBERT C. ZIMMER.

STATEMENT FOR THE SENATE FINANCE COMMITTEE IN SUPPORT OF S. 2476, ON BEHALF OF SPORTING ARMS & AMMUNITION MANUFACTURERS' INSTITUTE, SUBMITTED BY ROBERT C. ZIMMER, COUNSEL TO THE SPORTING ARMS & AMMUNITION MANUFACTURERS' INSTITUTE

RE: TSUS NOS. 730.1500 INCLUSIVE—RIFLES, SHOTGUNS, COMBINATIONS AND PARTS AND TSUS NOS. 730.6300 INCLUSIVE—AMMUNITION AND PARTS

Summary of Points

1. Imports of sporting arms and ammunition have shown an alarming increase over the past four years, and the 50-percent reduction of present tariffs under the Kennedy Round Agreement portend extremely adverse effects on the domestic industry.

2. In view of this continuum of sharp increase (129.4 percent in 1966) of imports of sporting arms and ammunition in recent years, the dangerous level of penetration of the domestic market (13.5 percent in 1966), and considering the continuing foreign barriers preventing expansion of U.S. exports, passage of S. 2476 is essential to the continued vigorous existence of the domestic industry and to the welfare of its employees and the communities in which it exists.

I. Support of S. 2476 by the Sporting Arms and Ammunition Manufacturers' Institute

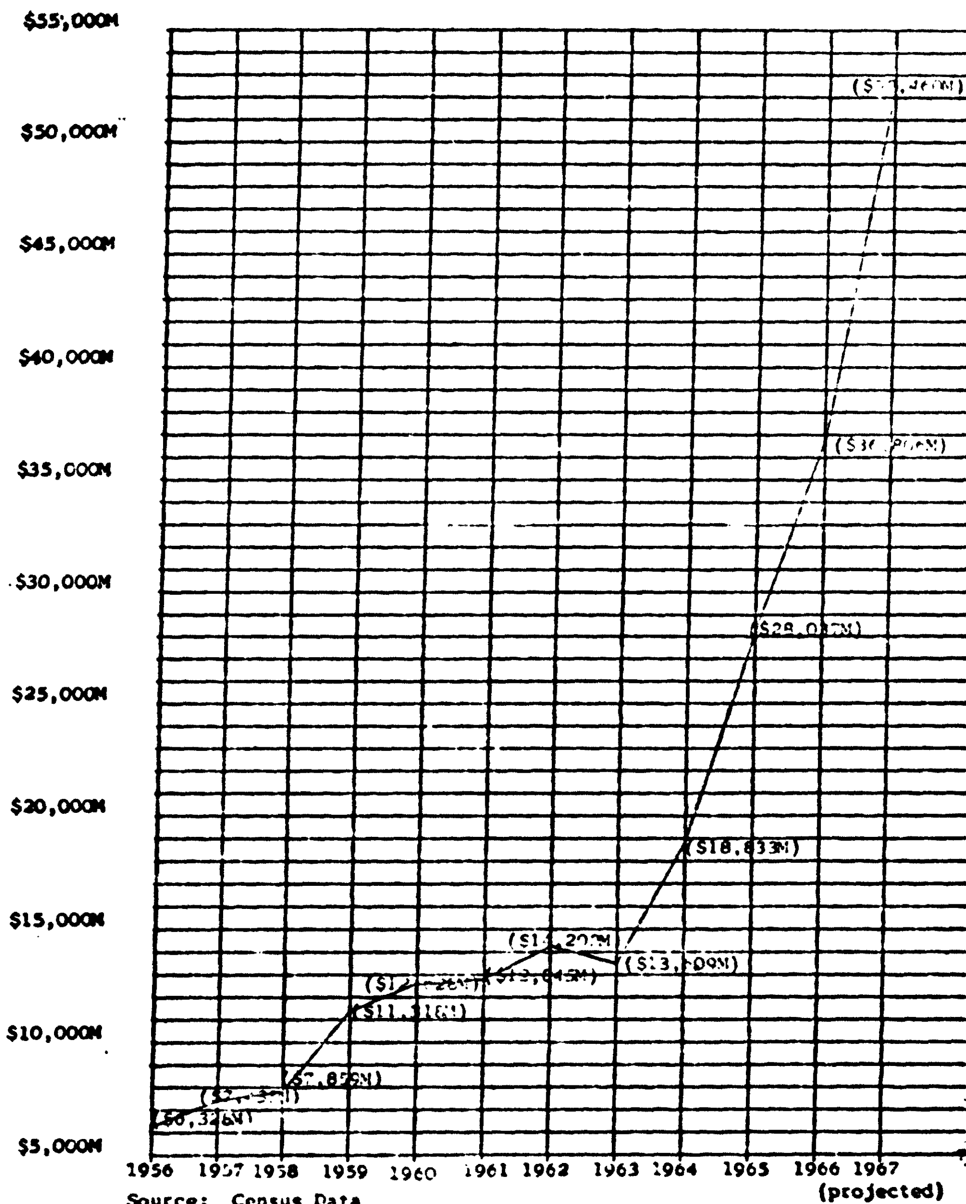
The Sporting Arms and Ammunition Manufacturers' Institute's statement in support of S. 2476 is submitted on behalf of the following U.S. manufacturers, who together produce over 75 percent of all American sporting shoulder arms and approximately 95 percent of all domestic sporting ammunition:

Federal Cartridge Corporation
The High Standard Manufacturing Corporation
Ithaca Gun Company, Inc.
O. F. Mossberg & Sons, Inc.
Remington Arms Company
Savage Arms Division, Emhart Corporation
Winchester-Western Division, Olin-Mathieson Chemical Corporation

Even under present tariffs, which will soon be reduced by 50 percent under the Kennedy Round Agreement, recent increases of sporting arms and ammunition imports have been taking a larger share of the domestic market. Overall, sporting arms and ammunition import (TSUS Nos. 730.1500 through 730.9100) now comprise 13.5 percent of domestic production.* The industry's essentiality to

*Preliminary industry, estimates through June 1967 (industry sales of $155,600,000), compared with reported imports through June 1967 (totaling $22,808,000), indicate a ratio of imports to industry sales of 14.6 percent, a marked increase from last year.

the national security and its importance to the communities in which domestic manufacturers are located require that the Congress take affirmative action to prevent the adverse economic effects that additional import increases are certain to bring.



S. 2476, introduced by Senator Margaret Chase Smith, and co-sponsored by 25 other Senators, provides a reasonable and effective remedy for a domestic sporting arms industry that must compete with imports produced with large cost advantages over domestic manufacturers. Since imports' ratio to domestic production exceeds 10 percent generally as well as specific sporting arms categories, S. 2476's presumption of "serious injury" will require the proclamation of whatever relief the Tariff Commission finds necessary to remedy or prevent such injury.

II. The Overall Picture—Import Trends in Sporting Arms and Ammunition for the Period of 1963 to 1967

Since 1963 the dollar value of imports of sporting arms and ammunition has increased 169 percent from $13,609,000 in that year to $36,589,674 in 1966. In

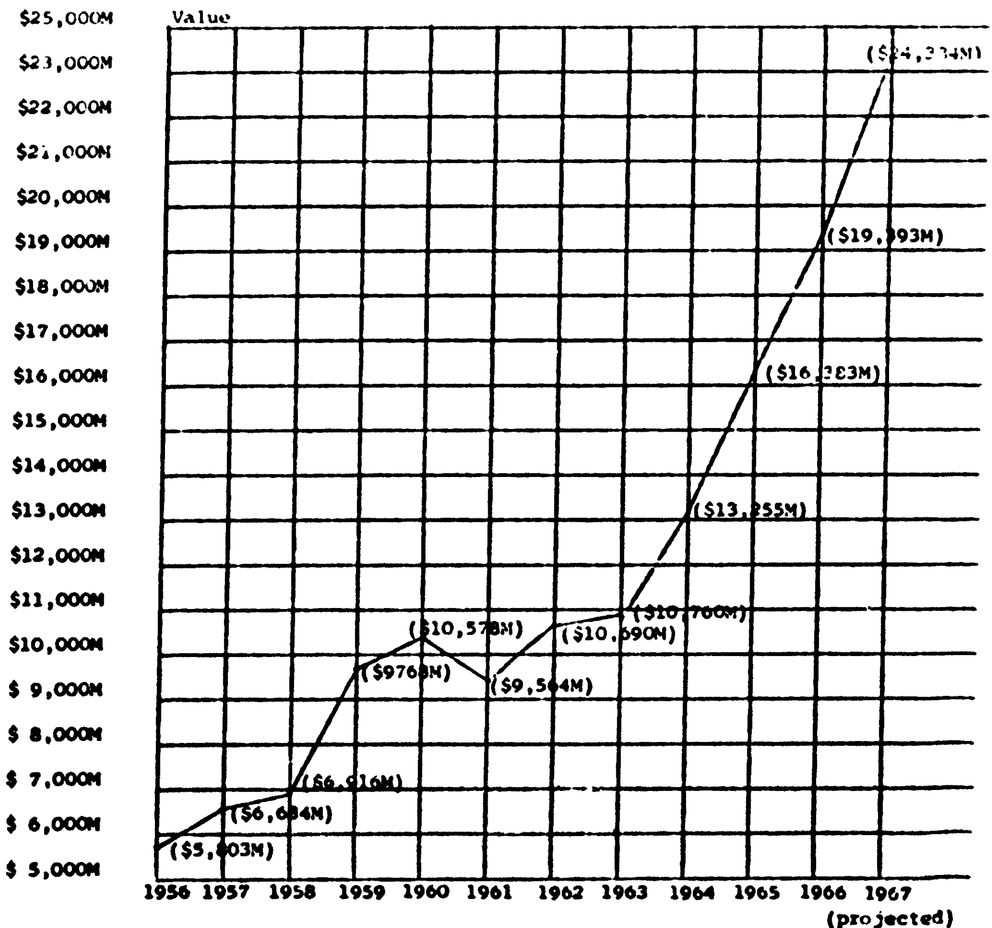
1967 alone, imports will increase by 40 percent over 1966 to $52,458,789.* (See facing chart.) This increase depicts the trend of increasing imports, applying pre-Kennedy Round rates of duty, without considering the additional increases to be experienced solely because of the reduction in present U.S. tariffs.

Not only is the total volume of imports markedly increasing, so too is imports' share of the domestic sporting arms market, computed by comparing the value of imports to total sales in the United States. From a share of 9 percent in 1963, it climbed to 11.1 percent in 1964, reached 13.7 percent in 1965, and stayed at virtually the same high level in 1966. (See Appendix, Exhibit 1.)

This increase trend in total sporting arms and ammunition imports and in imports' share of the domestic market indicates not only that present duties furnish a relatively small trade barrier, but also shows that the domestic industry faces a serious threat to its competitive position in world markets for shoulder arms and ammunition. These facts portend economic difficulties not only for the domestic manufacturers and their employees, but also for the economy of the regions in which these manufacturers are located.

EXHIBIT 2

IMPORTS OF RIFLES AND SHOTGUNS



Source: Census Data

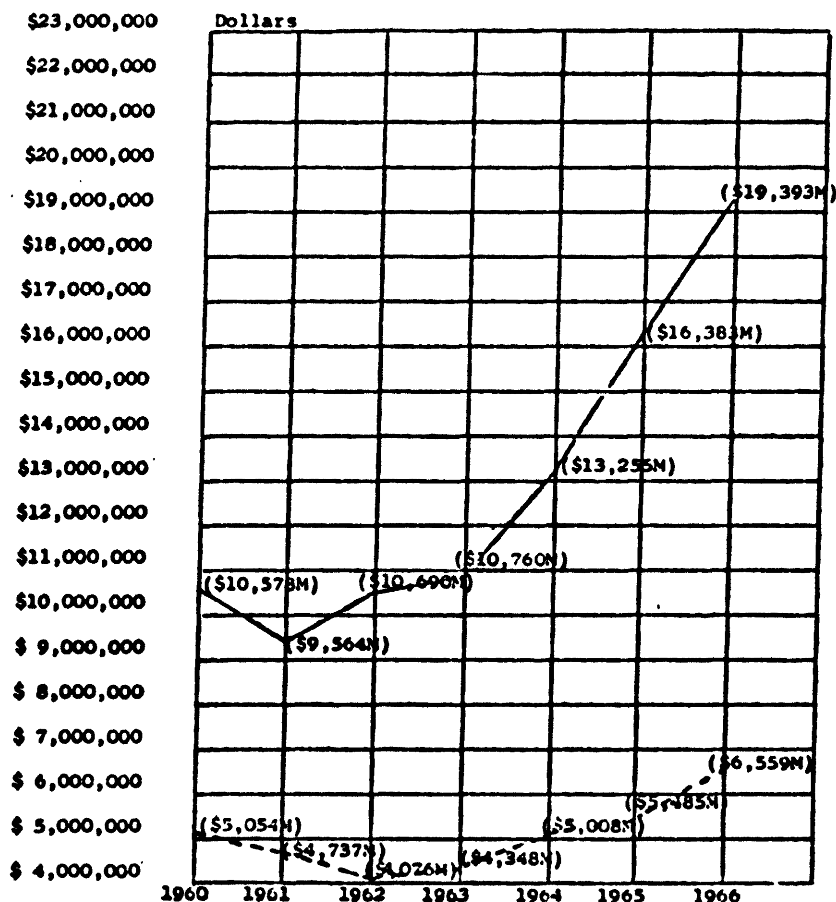
*Projected 1967 totals are based on an average ratio of second half imports to first half over the past three years, 1966, 1965, and 1964, as applied to the data for the first half of 1967. Total imports are generally 2.3 to 3 times first half imports, largely because of the fall and winter buying season.

III. Specific Sporting Arms Categories

A. Imports of Rifles and Shotguns

1966, the first half of 1967, and projected 1967 (as depicted by the facing chart) show a dramatic increase in value in rifle and shotgun imports from even the 1964 high, which itself was over 28 percent above 1963 levels. By the end of 1967 total rifle and shotgun imports will have increased over 3½ times from the 1956 level to $24,336,408. First half imports for 1967 alone are almost equal to total imports for all years through 1963.

IMPORTS & EXPORTS OF SHOULDER ARMS



Imports - Solid Line ______

Exports - Broken Line ------

Source: Census Data

1. *Rifle Imports.*—Imports of rifles have increased from a 1964 level of $3,128,000 to over $5,303,597 in 1967, continuing the steady upsurge from the 1958 level of only $1,431,000.

2. *Shotgun Imports.*—In no sector of the shoulder arms industry is the need for maintaining adequate tariffs better demonstrated than in the shotgun segment. Here it is clear that the pre-Kennedy Round 16 percent *ad valorem** duty has been a relatively ineffective barrier to imports. From a recent low of 107,000 units and $6,708,000 value in 1961, the importation of shotguns into the U.S. has climbed to 192,000 units in 1966, with a value of $14,663,230. In the first half

*Shotguns valued over $50 each bear a straight 16 percent *ad valorem* duty; those valued at $25 to $50 are assessed at $2.04 each 10 percent *ad valorem*; lesser priced shotguns have a $0.50 to $2 each rate 15 percent *ad valorem*.

of 1967 alone, shotgun imports have reached 100,187 units with a value of $7,612,144. Shotgun imports increase during the fall shooting season, yielding a 1967 import projection of approximately 280,631 units valued at over $18,100,000. (See Appendix, Exhibit 2.) Almost all of this total is accounted for by shotguns valued at over $50. (TSUS Nos. 730.4530, 730.4540, 730.5900.)**

B. U.S. Exports of Rifles and Shotguns

Compared to the volume of rifle and shotgun imports, U.S. exports of these items seem insignificant. (See facing chart.) The largest source of U.S. rifle and shotgun imports is the Common Market (EEC), which accounted for two-thirds of the total of $19,393,000 imports in 1966. By comparison, United States manufacturers' exports to the Common Market were very small, with a total in 1965 of $782,608, dropping slightly in 1966 to $768,769. (See Appendix, Exhibits 3 & 4.) The largest foreign market for United States shoulder arms exports over the years has been Canada. In 1966, of the total rifle and shotgun exports of $6,559,074, over $2,930,000 went to Canada. (See Appendix, Exhibit 5.) In rifles and shotguns alone, the United States can expect an unfavorable trade balance of over $15,000,000 in 1967, thereby increasing our balance of payments deficit and substituting foreign employment for the jobs of American workers.

C. Comparison of Wage Rates

The accompanying charts of wage rates for the Common Market Countries (EEC) and the U.S. show one of the production cost advantages enjoyed by the domestic industry's foreign competitiors. In general, sporting arms manufacture is relatively labor intensive, especially in the areas of stock and barrel finishing. We respectfully submit that the answer is not to lower the wages of 12,000 workers employed by the domestic industry or to abolish their jobs due to import increases. The answer, we believe, will be provided by the remedies suggested in S. 2476.

IV. Conclusions

A. Current U.S. duties on arms and ammunition have permitted an alarming increase of imports during 1965, 1966, and the first half of 1967.

B. The impact of the pre-Kennedy Round increase in imports of sporting arms and ammunition has resulted in imports capturing a disproportionately large share of the domestic market, further aggravating our balance of payments deficit, and inhibiting the natural growth of domestic producers. Because U.S. sporting arms and ammunition tariffs were halved during the Kennedy Round, we realistically expect that additional import increases will result in severe economic dislocations throughout the domestic industry. If imports capture more than their present 13.5 percent of domestic production, both company investment and workers' jobs will be lost.

In accordance with these conclusions, we respectfully request that this Committee submit a favorable report on S. 2476.

INDUSTRY TRENDS

[Dollar amounts in millions]

	Industry sales of arms and ammunition	Imports	Imports versus industry sales (percent)
Year:			
1966	[1] $271	$36.6	13.5
1965	205	28.1	13.7
1964	169	18.8	11.1
1963	151	13.6	9.0
1962	142	13.7	9.6
1961	135	13.0	9.8
1960	137	12.5	9.1
1959	141	11.0	7.8
1958	114	7.0	6.6
1957	142	7.2	5.0
1956	140	6.2	4.4

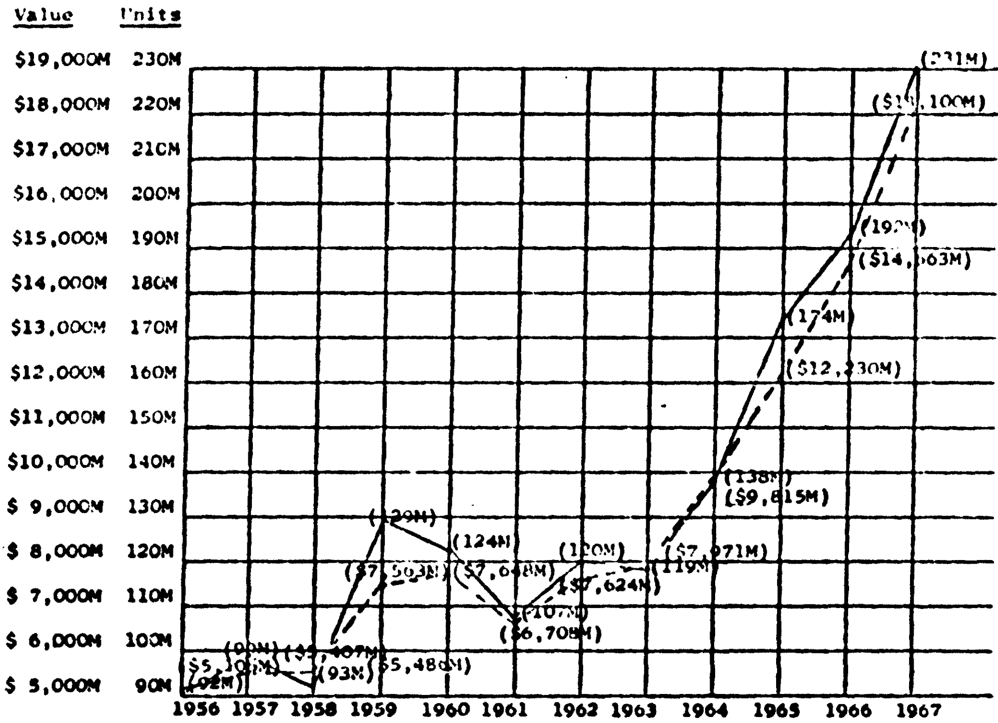
[1] Based on industry estimates. Preliminary industry estimates through June 1967 (Industry sales of $155,600,000), compared with reported imports through June 1967 (totaling $22,808,000), indicate a ratio of imports to industry sales of 14.6 percent, a marked increase from last year.

Source: Census data and Submitting companies.

**During 1966, first half shotgun imports totaled $5,855,804, compared with a yearly total of $14,663,230.

EXHIBIT 1

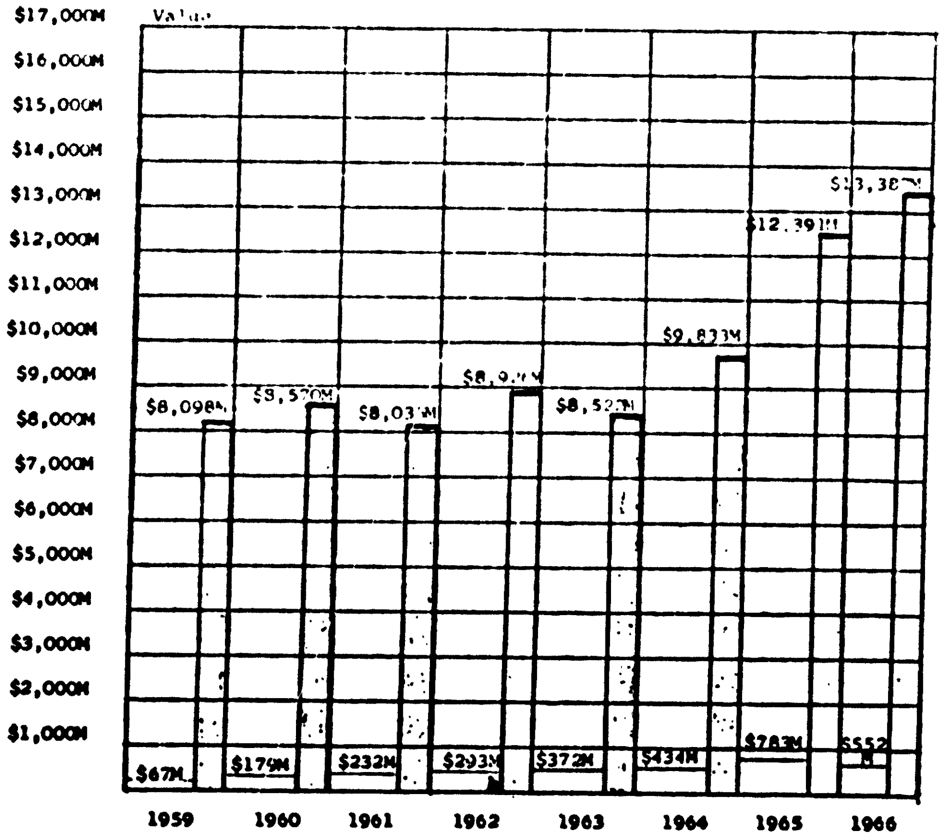
IMPORTS OF SHOTGUNS



Units - Solid Line ________

Value - Broken Line --------

Source: Census Data



Imports shown in black.
Exports shown in white.

Source: Census Data

EXHIBIT 3

U.S. SHOULDER ARMS IMPORTS FROM THE COMMON MARKET (EEC)

	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Rifles	$1,414,847	$1,844,984	$1,952,358	$1,594,604	$2,378,902	$2,731,558	$3,142,078	$1,470,049
Shotguns	7,155,169	6,190,067	6,973,431	6,928,162	7,454,508	9,659,572	10,245,373	5,404,751
Total	8,570,015	8,035,051	8,925,789	8,522,802	9,833,410	12,391,130	13,387,451	6,874,800

U.S. SHOULDER ARMS EXPORTS TO THE COMMON MARKET (EEC)

	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Total	$179,281	$231,764	$293,252	$373,070	$434,360	$782,608	$768,769	$775,824

[1] January–June.

Source: Census data.

EXHIBIT 4

EXPORTS TO CANADA

[Value expressed in dollars]

	1960	1961	1962	1963	1964	1965	1966	1967
Rifles:								
Units	37,317	30,869	27,279	25,272	28,502	20,094	33,641	28,973
Value	1,462,287	1,301,505	1,138,994	1,097,206	1,184,403	1,038,082	1,765,007	1,683,812
Shotguns:								
Units	24,287	20,229	13,087	17,802	21,526	31,732	28,091	15,655
Value	835,799	793,931	535,723	807,704	948,374	1,222,760	1,166,536	744,795
Total units	61,604	51,098	40,366	43,074	50,028	51,826	61,732	44,628
Total value	2,298,086	2,095,436	1,674,717	1,904,910	2,132,777	2,260,842	2,931,543	2,428,607

Source: Publication FT 410, U.S. Department of Commerce, Bureau of the Census.

EXHIBIT 5

EUROPEAN COMMON MARKET (EEC) AVERAGE HOURLY EARNINGS IN METAL PRODUCTS INDUSTRY (APRIL 1966)

	Men	Women	Average
Belgium (Belgium francs)	51.27	35.77	47.44
France [1] (French francs)	3.90	3.21	3.79
Germany (Deutsche marks)	4.75	3.30	4.49
Italy (Italian lira)	412	323	397
Netherlands (guilders)	3.22		3.24
United Kingdom (pennies)	106.3	60.9	
Converted earnings: [2] (U.S. dollars):			
Belgium	1.025	.715	.949
France [1]	.796	.655	.773
Germany	1.188	.825	1.123
Italy	.659	.517	.635
Netherlands	.892		.897
United Kingdom	1.243	.713	

[1] Figures for France are based on the ordnance and small arms industry as of March 1966.
[2] Based on following rates: Belgian franc, $0.02; French franc, $0.204; deutsche mark, $0.25; Italian lira, $0.0016; guilder, $0.277; United Kingdom, $0.0117.

Source: Bureau of Labor Statistics.

The above figures do not include fringe benefits. The average fringe benefits for *all* manufacturing for each country are at least:

	Percent
Belgium	49
France	73
Germany	48
Italy	102
Netherlands	46
U.K.	14

EXHIBIT 6

Average hourly earnings, United States in classification of other ordnance and accessories, small arms and ammunition—Firefighting equipment and accessories

WAGES

	Per hour
January 1967	$3.13
Preliminary August 1967	3.15
Annual average 1966	3.06

FRINGE BENEFITS

All manufacturing	$0.59.2
Fabricated metal products	.64.5

Source: Bureau of Labor Statistics.

90TH CONGRESS
1ST SESSION

S. 1446

IN THE SENATE OF THE UNITED STATES

APRIL 5, 1967

Mr. MUSKIE (for himself, Mr. BARTLETT, Mr. BAYH, Mr. COTTON, Mr. EASTLAND, Mr. ERVIN, Mr. DODD, Mr. GRUENING, Mr. INOUYE, Mr. KENNEDY of Massachusetts, Mr. LONG of Missouri, Mr. MCGEE, Mr. MCINTYRE, Mr. MORSE, Mr. MOSS, Mr. NELSON, Mr. PELL, Mr. SCOTT, Mr. TALMADGE, Mr. THURMOND, and Mr. TOWER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for the orderly marketing of articles imported into the United States, to establish a flexible basis for the adjustment by the United States economy to expanded trade, and to afford foreign supplying nations a fair share of the growth or change in the United States market.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Orderly Marketing Act
4 of 1967".
5 SEC. 2. PURPOSES.—The purposes of this Act are to
6 provide for the orderly marketing of articles imported into

II

1 the United States, to establish a flexible basis for the
2 adjustment by the United States economy to expanded
3 trade, and to afford foreign supplying nations a fair share of
4 the growth or change in the United States market.
5 SEC. 3. DEFINITIONS.—As used in this Act—
6 (a) "Domestic industry" shall include all establish-
7 ments located in the United States in which any article or
8 articles like or directly competitive with the imported article
9 or articles specified in a petition or request under subsection
10 (a) or subsection (b) of section 4 are produced. If an
11 enterprise has several establishments in some of which such
12 articles are not produced, the industry would include only
13 establishments in which the article is produced for purposes
14 of analyzing impairment for purposes of subsection (c) of
15 section 4;
16 (b) "Like or directly competitive articles" shall mean
17 those articles or closely related groups of articles on which
18 the article or articles specified in a petition or request under
19 subsection (a) or subsection (b) of section 4 have a com-
20 bined competitive impact;
21 (c) An imported article is "directly competitive with"
22 a domestic article at an earlier or later stage of processing,
23 and a domestic article is "directly competitive with" an
24 imported article at an earlier or later stage of processing,
25 if the importation of the imported article has an economic

1 effect on producers of the domestic article comparable to the
2 effect of importation of articles in the same stage of process-
3 ing as the domestic article. For purposes of this paragraph,
4 the unprocessed article is at an earlier stage of processing;
5 (d) "Secretary" refers to the Secretary of Commerce.
6 SEC. 4. (a) A petition for orderly marketing may be
7 filed with the Secretary by a trade association, firm, certified
8 or recognized union, or other representative of an industry.
9 (b) Upon the request of the President, upon resolution
10 of either the Committee on Finance of the Senate or the
11 Committee on Ways and Means of the House of Representa-
12 tives, or upon the filing of a petition under subsection (a),
13 the Secretary shall promptly make an investigation to deter-
14 mine whether articles or groups of articles specified in the
15 petition or request are being imported into the United States
16 in such increased quantities as to be a factor contributing
17 to a condition of economic impairment of the domestic
18 industry producing such article and like or directly com-
19 petitive articles.
20 (c) In making a determination whether there is a
21 condition of economic impairment in the industry, the Secre-
22 tary shall take into account all economic factors which he
23 considers relevant, including idling of productive facilities,
24 inability to operate at a reasonable profit or declining profit-

4

1 ability, and unemployment, underemployment, or a decline
2 in employment relative to production.
3 (d) In any event, the Secretary shall make an affirma-
4 tive determination under subsection (c) and shall find that
5 the articles or groups of articles are being imported in such
6 increased quantities as to be a factor contributing to a
7 condition of economic impairment to the industry, if during
8 the five calendar years immediately preceding the year in
9 which the petition or request is filed the ratio of imports
10 of the article or group of articles to the domestic production
11 of such articles or like or directly competitive articles has
12 increased by 50 per centum or more in the aggregate and
13 during the calendar year immediately preceding the year in
14 which the petition or request is filed the ratio of such imports
15 to such domestic production was at least 15 per centum.
16 (e) If the Secretary finds that such articles or groups of
17 articles are being imported into the United States in such
18 increased quantities as to be a factor contributing to economic
19 impairment of a domestic industry he shall forthwith inform
20 the President of his finding and his determination under
21 subsection (c).
22 (f) If the Secretary would have made the finding speci-
23 fied in subsection (e) but for the fact that the ratio of such
24 imports to such domestic production was more than 10 per
25 centum but less than 15 per centum in the year in which the

1 petition or request is filed he shall also forthwith inform the
2 President of his finding.
3 SEC. 5. Upon being informed by the Secretary of a find-
4 ing pursuant to section 4 (e), the President shall by proc-
5 lamation limit the importation of such articles or groups of
6 articles to which such finding applies for each calendar year
7 succeeding such proclamation to the larger of—
8 (i) That quantity which equals 15 per centum of
9 domestic production of such articles and like or directly com-
10 petitive articles for each preceding calendar year, or
11 (ii) That quantity which equals average annual imports
12 of such articles or groups of articles for the five calendar
13 years immediately preceding the calendar year in which
14 such proclamation is made: *Provided, however;* That, with
15 respect to a limitation imposed under paragraph (ii), such
16 quantity shall be increased or decreased for each succeeding
17 calendar year by the same percentage that such domestic
18 production in the preceding calendar year increased or de-
19 creased in comparison with such average annual domestic
20 production in the second and third immediately preceding
21 calendar year: *And provided further,* That, with respect to
22 a limitation imposed under either paragraph (i) or (ii), in
23 the event of such an increase in domestic production there
24 shall be permitted to enter an increase in quantity equal to

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1 1 per centum of such domestic production for such immedi-
2 ately preceding calendar year.
3 SEC. 6. (a) After being informed by the Secretary of
4 his findings under section 4 (e), the President may, in lieu
5 of exercising the authority contained in section 5, negotiate
6 international agreements with foreign countries limiting the
7 export from such countries and the import into the United
8 States of the articles or groups of articles involved whenever
9 he determines that such action would be more appropriate
10 to prevent or remedy economic impairment than action under
11 section 5.
12 (b) In order to carry out an agreement concluded
13 under subsection (a), the President is authorized to issue
14 regulations governing the entry or withdrawal from ware-
15 house of the articles or groups of articles covered by such
16 agreement. In addition, in order to carry out a multilateral
17 agreement concluded under subsection (a) among countries
18 accounting for a significant part of world trade in the article
19 covered by such agreement, the President is also authorized
20 to issue regulations governing the entry or withdrawal from
21 warehouse of the like article which is the product of countries
22 not parties to such agreement.
23 SEC. 7. The Secretary shall allocate the total quantity
24 proclaimed under section 5, and any increase in such quan-
25 tity pursuant thereto, among supplying countries on the basis

1 of the shares such countries supplied to the United States
2 market during a representative period of the articles or
3 groups of articles to which such proclamation applies, except
4 that due account may be given to special factors which have
5 affected or may affect the trade in such articles. The Secre-
6 tary shall certify such allocations to the Secretary of the
7 Treasury.

8 SEC. 8. In addition to proclaiming import limitations as
9 to the articles or group of articles like or directly competitive
10 with those of domestic industry under this Act, the President
11 may provide with respect to the firms of such industry that
12 they may request the Secretary for certifications of eligibility
13 to apply for adjustment assistance and may provide with re-
14 spect to the workers of such industry that they may request
15 the Secretary of Labor for certifications of eligibility to apply
16 for adjustment assistance under title III of the Trade Ex-
17 pansion Act of 1962, Public Law Numbered 794, Eighty-
18 seventh Congress. Further proceedings and relief and the
19 criteria pertaining thereto shall be the same as under title
20 III of the Trade Expansion Act.

21 SEC. 9. If the Secretary informs the President of findings
22 under section 4(f) the President may, in his discretion, take
23 any action or any combination of actions specified in section
24 5, section 6, and section 8 with respect to the articles or
25 groups of articles to which such findings apply.

1 SEC. 10. (a) Any proclamation made and any adjust-
2 ment assistance granted pursuant to this Act shall be re-
3 viewable by the President after the third calendar year of
4 their effect and prior to the commencement of each calendar
5 year thereafter during which such proclamation or adjust-
6 ment assistance remains in effect. In his discretion the Presi-
7 dent may upon such review terminate such proclamation or
8 adjustment assistance if he finds it no longer necessary, ap-
9 propriate or effective to accomplish the purposes of this Act.
10 No proclamation or adjustment assistance shall remain in
11 effect for a period longer than ten calendar years.

12 SEC. 11. Nothing contained in this Act shall affect in
13 any way any quantitative import limitation heretofore or
14 hereafter proclaimed or imposed pursuant to any Act of
15 Congress authorizing such proclamation or imposition in-
16 cluding but not limited to—

17 (a) section 22 of the Agricultural Adjustment Act,

18 (b) section 204 of the Agricultural Act of 1956,

19 (c) section 232, 351, or 352 of the Trade Expan-
20 sion Act of 1962,

21 (d) section 2(b) of the Act entitled "An Act to
22 extend the authority of the President to enter into trade
23 agreements under section 350 of the Tariff Act of 1930,
24 as amended", approved July 1, 1954 (19 U.S.C., sec.
25 1352a),

1 (e) section 7 of the Trade Agreements Extension
2 Act of 1951,
3 (f) Public Law Numbered 481 of the Eighty-
4 eighth Congress (78 Stat. 593),
5 (g) The Sugar Act of 1948, as amended.

U.S. SENATE,
COMMITTEE ON COMMERCE,

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.

MY DEAR MR. CHAIRMAN: There is little doubt that some of our domestic industries are suffering severely because of excessive foreign imports which are directly competitive with the domestic product. I am, therefore, gratified that the Senate Finance Committee has scheduled open hearings on the various proposals before it which would impose import quotas on specified commodities. I sincerely hope that the hearings will bring out all of the facts needed to make a judgment as to what should be done.

Since I am a cosponsor of several different bills before the Committee which would give a measure of relief to a specific industry, I would like to explain briefly why I favor each of them. I ask that this letter be made a part of the record of the hearings.

S. 289 LEAD-ZINC

The lead-zinc industry has suffered violent fluctuations of price and production for many years, and since 1950 the domestic metal producers and smelter operators have both been seeking some sort of solution to the recurring sharp cycles of alternating excessive or deficient supplies of lead and zinc in the United States.

The bill before the Finance Committee, S. 289, provides a mechanism for imposing import quotas either on lead or zinc as soon as they are needed. The quotas would go into effect when the metal stocks exceed a specified maximum percentage for a period of three consecutive months, and would be removed when the stocks are reduced below a specified minimum percentage. The bill was unanimously reported by the Senate Interior and Insular Affairs Committee, of which I am a member, earlier this session.

Although the lead and zinc markets are relatively stable at this time, we know from past experience that this stability may not endure, and we should use this opportunity to establish a method to assure that it will. We know all too well what happens when supplies are in excess of demand. The market price drops, mines close up, and a tragic cycle of unemployment results. We know also how important it is to the security of the United States to have a ready supply of lead and zinc, and how essential it is not only to keep the industry in good health, but to see that incentive capital is ready to explore and develop new ore reserves. Such capital is forthcoming only when there is assurance of stability in the industry.

Administrative remedies have been tried from time to time to stabilize the lead and zinc markets, but they have been proved inadequate, and for the well-being of the lead-zinc industry and the safety of the country, a system of import controls is essential.

S. 612 DAIRY PRODUCTS

Earlier this year, a burst of dairy imports flooded our markets. The June 30th, 1967, Presidential Proclamation, issued under the authorization of Section 22 of the Agricultural Adjustment Act, is expected to reduce the overall annual flow of dairy imports to an estimated calendar year level of one billion pounds milk equivalent. I think it is quite safe to say that the sponsorship of some 58 members of the Senate and nearly 200 members of the House of Representatives of the "Dairy Import Act of 1967" was instrumental in producing this action.

However, this is only an initial step toward a permanent solution to a problem which still spells serious trouble for the domestic dairy industry. There are many loopholes through which dairy products can be imported in quantities sufficient to threaten the domestic industry. We need to establish an overall limit on imports based upon the average annual quantities of butter fat and nonfat milk solids imported in all forms, and from all foreign countries.

Under S. 612, it would be left to administrative decision as to how the imports should be apportioned between products and importing countries, and the bill also provides for an increase or decrease in the total amount of imports, so that foreign producers can share in the market with domestic producers, depending upon the demand. It likewise permits the President to allow additional imports if he

holds it to be in the national interest. If, however, farm prices are below parity at the time such additional imports are authorized, an appropriate amount of butter fat and solid-nonfat milk would have to be removed from the market.

This bill provides sensible machinery with which to make certain that dairy imports will not ever seriously injure our domestic industry, and yet it allows foreign products to come into the country in reasonable amounts. Its passage would assure a more certain future to the dairy farmer, and a continuing supply of dairy products to the consumer at reasonable prices.

S. 1588 MEAT QUOTAS

Three years ago the Congress enacted meat import control legislation (P.L. 88-482), which helped head off a crisis in the cattle industry. Now it is time that we reexamined this law, and remedied its defects. Enactment of S. 1588, which would revise the quota control system, would give far greater protection to our domestic producers. Public Law 88-482 specifies that imported "fresh, chilled and frozen beef, veal and mutton" should not exceed an adjusted base quota. However, the law does not provide any way to check these imports unless the Secretary of Agriculture estimates, in advance, that the volume is likely to be more than ten percent greater than the adjusted base quota.

S. 1588 would eliminate the ten percent of excess imports now permitted before quotas could be legally applied, and would take from the Secretary of Agriculture the responsibility of estimating in advance the level of imports to determine whether they might be larger than the allowable quantity. Instead, the quota would be imposed by the law itself.

In addition, the bill would change the period on which the quotas are based to a more representative period, would give the executive branch of the government the authority to impose quotas on other meat products should there be a damaging flood of imports, and the Congress could not act quickly enough to protect the domestic industry.

Although prices in the fall of 1967 are slightly more favorable to producers than they were earlier this year, it appears that the cattle inventory will decline this year for the third consecutive year.

Imports covered by Public Law 88-482 are up eleven percent over a year ago, but are not high enough to trigger its imposition. Imports of red meat alone—that is beef and veal—are up sixteen percent over 1966 levels.

S. 1796 TEXTILE IMPORTS

We also need a mandatory system for the regulation of textile imports on a quantitative basis, to protect our domestic textile manufacturers from ever-rising imports. The excessive flow of foreign-made textiles results in plant closings, layoffs, and hard times for the merchants of the communities in which the textile plants are located. The western wool industry is also adversely affected, since its market for raw wool is reduced.

S. 1796 would first encourage negotiations on voluntary agreements, and then if agreements were not reached, the mandatory system could be put into effect.

The machinery for government textile imports would be similar to that already in effect for meat imports under Public Law 88-482. All textiles, including wool, would be limited to an average of the 1961-66 levels, and the quota would be changed only when domestic consumption increased by more than five percent. Quotas would then be adjusted accordingly.

Under the provisions of the bill, any action taken by the President would supersede the import quotas—so the enactment of the bill would not tie the hands of the government in any way if it appeared to be in the nation's best interest to admit larger quantities of textiles.

Despite the programs of assistance to the U.S. textile industry by both the Kennedy and Johnson Administrations, imports have not been effectively curbed, and there are still many ways to evade the tariffs, and to make use of technical loopholes. Furthermore, wool and manmade textiles have not had the protection worked out in the LTA agreements for cotton. The wool exporters share of the domestic textile market has grown from eight percent in 1956 to twenty-four percent in 1966. 1967 figures are not yet available, of course, but there is no reason to think they will go down. A serious situation still confronts the nation, and especially the four million people who are engaged in producing fibers, textiles, apparel and numerous other textile products, and there is no doubt in my mind but that the type of export controls envisioned in S. 1796 are needed.

S. 1856 MINK IMPORTS

Without question, one of the most serious current import problems is that of foreign mink pelts. There has been nearly a fifty percent increase in the last four years, and the American producer is threatened with extinction.

At the present time foreign mink pelts can enter the country without any quota or tariff restriction. Shipping subsidies and cheap labor make it possible for foreign producers—chiefly in the Scandanavian countries—to dump their surplus mink pelts on the American market for only $11. Since it costs the American rancher an average of $18 just to produce the pelt, it is easy to see that he cannot stand up against this kind of competition.

S. 1856 provides that foreign mink pelts can continue to enter the country duty-free until the annual total equals forty percent of the domestic consumption. After this point, all pelts would be subject to a duty equal to fifty percent of their value. This would be fair to all concerned—to the domestic producer, and to the American consumer

I have received a great deal of mail this session from mink producers in the state of Utah telling me what the foreign competition is doing to their operations. They are desperate. Action must be taken this session to give them relief.

In conclusion, let me say that I would far prefer that this country handle our import problems by encouraging negotiations with other nations on a voluntary basis. I would like to think that either bilateral or multilateral systems of agreements could be arrived at short of invoking import quota laws. I do feel, however, that we should have adequate administrative machinery to fall back on when it appears that any domestic industry is being severely hurt by a high level of competitive imports coming into this country.

I well recognize also that trade is one of our strongest weapons in cultivating friendly relations with other nations, and I do not want to tie the President's hands in seeking such relationships. I feel that any import quota restrictions should recognize the importance of giving the President a free hand when circumstances indicate a lessening of trade restrictions on a given commodity, or with a specific country, would be in the nation's best interest. But I also feel that we must never forget the importance of keeping our own domestic industries in a stable and healthy condition, both because of the many Americans who depend on them for their livelihood, and because there could be a time when self-sufficiency would be absolutely essential to our nation's security. We should trade widely and freely with other nations. Trade is mutually beneficial. Only when we encounter unfair methods, such as dumping onto our market, should we burden or restrict free trade. I'm sure that most of us oppose a creep back toward high protective tariff walls with resulting strangulation of trade and international exchange in all fields.

I will appreciate the Committee's consideration of this letter.

Sincerely,

FRANK E. MOSS, *U.S. Senator.*

REMARKS OF SENATOR JENNINGS RANDOLPH OF WEST VIRGINIA TO THE SENATE COMMITTEE ON FINANCE ON SUBMITTING FOR THE CONSIDERATION OF THE COMMITTEE A STATEMENT BY JOSEPH E. MOODY, PRESIDENT, NATIONAL COAL POLICY CONFERENCE, INC., DURING HEARINGS ON IMPORT CONTROL LEGISLATION

Mr. Chairman, I ask permission to file with this Committee a statement by Joseph E. Moody, President of the National Coal Policy Conference, Inc., which is a broadly based organization, the constituent membership of which embraces the coal producers and the United Mine Workers of America, coal equipment manufacturers, coal-carrying railroads, and coal-burning electric generating companies.

(*Mr. Moody's statement immediately follows Senator Randolph's statement.*)

In his statement, Mr. Moody warns that the East Coast area of the United States already is dependent upon foreign sources for 81 per cent of the heavy industrial oil it now uses.

Mr. Moody focuses his attention and that of the organization he represents on foreign residual oil and urges this committee to approve legislation which would limit imports of such oil to that same proportion—81 per cent—in future years.

Mr. Moody's statement underscores the fact that 320 million barrels of heavy industrial fuel oil used on the East Coast in 1966 to generate power, to run industry, and to heat commercial and institutional buildings *was purchased overseas* and transported to United States ports in tankers.

He asks: "What in the world would we do if these imports, on which so many commercial, governmental, and industrial establishments have come to depend, should be suddenly shut off?"

Mr. Moody then adds this comment: "Let's not kid ourselves. It could happen, it did happen in World War II, even though at that time we depended upon foreign sources for only a fraction of the amount of fuel oil which they supply to us today. We remember the brownouts, the closed schools, and the general shortages of fuel which forced the government to plead for an immediate expansion of coal production and to request every fuel user who possibly could to switch from oil to coal."

Imports of heavy fuel oil, Mr. Moody points out, and especially those which compete with coal, have increased steadily since the end of World War II, despite the imposition of mandatory import controls from 1959 through March, 1966. When the control program was placed on an "open end" basis at that time, virtually ending controls, imports increased at an even sharper rate, he asserts.

What is urgently needed, Mr. Moody emphasizes, is a national fuels policy "directed toward developing, conserving and making the most beneficial use of our fuels and energy reserves" and which can weigh the national security implications of allowing a section of the country as vital as the East Coast to become so dependent upon imported fuel. And he declares that in the absence of such a policy, the only alternative is "Congressional restraint." Otherwise, Mr. Moody adds, residual oil imports can be expected to increase at an even faster rate in the future.

Even with the high degree of mechanization achieved in coal mining, the mining and transportation of each million tons of coal creates more than 400 jobs in the mines and on railroads and barge lines, Mr. Moody stresses, and then points out that the economic consequences for American workers of importing the equivalent of 77 million tons of coal each year become alarmingly evident.

Mr. Moody proposes that legislation pending before the Committee to limit crude oil imports to 12½% of domestic production be amended to limit future imports of residual to 80% of total consumption on the East Coast.

"This extremely liberal limitation" will not restore the balance between imported and domestic fuel which "national security requires", but it will at least "prevent a further rise in the percentage of imports over domestic production and further erosion of essential domestic fuel markets on the Eastern Seaboard." Mr. Moody underscores in his conclusions.

In general, I associate myself with Mr. Moody's statement and with his recommendations for limits on residual oil imports.

Statement of Joseph E. Moody, President, National Coal Policy Conference, Inc.

Mr. Chairman, I am Joseph E. Moody. I am President of the National Coal Policy Conference, Inc., an organization which represents all segments of the industrial federation built around bituminous coal—coal producing companies, the United Mine Workers of America, coal carrying railroads and barge lines, coal-burning electric utilities and manufacturers of mining machines and equipment.

I would like to bring before this Committee today some thoughts which, perhaps, are not specifically limited to comments on individual pieces of pending legislation, but which I am convinced are of vital importance to the Congress' consideration of a whole category of legislative decisions which it must make in the near future.

Pending before the Congress are a series of proposals intended to limit imports of various goods and products from abroad—to *protect*, if you will, the markets for such or similar products, made or extracted in America by American companies and American job holders.

At the same time, the Congress and other Americans are now pondering the effects of the recent so-called Kennedy-Round negotiations of GATT in which all nations made concessions of varying degrees in a mutual effort to encourage and expand trade between each other. These two objectives—both of which certainly

have appeal to recommend them do not make for easy solutions either by the Congress, the Executive Branch of our Government or by those of us whose responsibility goes to the industries and the workers producing American goods, and to the maintenance of production capabilities on which our nation's security must depend.

Over the years, this nation has grown and prospered under varied policy positions on free or restricted foreign trade. As our history books tell us, a principal factor in the American Revolution was a determination by the Colonists that they must be free to trade with other nations than England, without paying a prohibitive tax for the privilege.

Years later, when we as an ambitious, but economically weak, nation determined on a course of internal economic and industrial development, we followed the only course possible—we imposed tariffs to equalize the competition between American produced goods and those made more efficiently in the more advanced technological nations. This decision upheld domestic prices, it is true, and it cost American consumers more for certain goods for a number of years. But it also created American jobs. It made possible new enterprises and great domestic industries. It put investment resources and consumer funds into the hands of American people and it made it possible for the United States to develop the industrial and economic might, the self-sufficiency of resources, production and markets which coalesced into the greatest and strongest economic force—and, as a by-product, the most affluent society—the world has yet known.

Then came the last several decades, accompanied by changes in many international, fiscal and economic concepts in the U.S. I don't suggest that all, or even most, of these were dictated by trade consideration. There was the bitter depression—in this country and the world—of the 1930's! There were cataclysmic socio-economic changes in world governments, there was World War II and, finally, there was the United States assuming the unbelievable task of rebuilding the economic life of much of the rest of the world.

I have used the word, "unbelievable", intentionally, because it was just that. I don't necessarily say our phenomenal effort was wrong, but I do say it was incredible. It has no counterpart in the history of mankind. And its ultimate cost to our own nation may not be really know for several decades.

Between the years 1945 and 1966, the American people poured $107 billion into the economy of other nations of the world—former friends, former enemies or countries which played no part at all in settling the great military crisis of World War II. These were not some magic coins we pulled out of a political Aladdin's lamp—these billions of dollars were made up of dimes, quarters and dollar bills that American cities earned and contributed to their taxes to the rest of the world.

Mr. Chairman, please don't misunderstand me. I am not now criticizing our past efforts to bring financial and economic resurgences to the world community of nations.

Our announced objective was that only through making other and allied nations strong could we prevent the worldwide spread of an acceptance of Communistic governments. And only by rebuilding the economy of both or allies and our former enemies could be restore world prosperity—including our own.

No one can say today what the results might have been if we had been less philanthropic with our people's money and let the nations of the world seek economic recovery with their own resources and energies. Perhaps they would have developed social systems more closely allied with the Communist bloc of nations—and perhaps this would have worked to our economic and political disadvantage. I don't know, and I don't believe anyone else does. But when we consider the worldwide disfavor which Uncle Sam—the free-handed savior of many of our former enemies, as well as our allies—now enjoys, we have to wonder if national policies clearly directed toward the health and strength of industries and workers in other countries, instead of our own, have been the wisest course we could follow in the past few decades.

This, of course, is water over the dam. We are now concerned with these answers., but they bear on the national policy which must follow from here on. They suggest some answers to the questions now before us.

We are now faced with making decisions regarding our most important requirement as a nation—energy and the resources to supply it. Without the resources to create heat, light, motion, power, the ability to turn wheels, run factories and move goods, no nation—no people—could exist.

Do we decide now that our ability to do these things shall be within our own determination? Or shall we place it more and more in the future in the hands of foreign nations?

Gentlemen, that is the crux of the decision that we must soon make.

Other witnesses who have and will appear before you, Mr. Chairman, are deeply concerned about serious damage to many American industries and workers—steel, textiles, glassware, pottery, shoes and many others—to compete with imports from low-cost, low-wage nations.

On September 27, the distinguished Senator from Maine, Mrs. Smith, introduced an amendment to Title III of the Trade Expansion Act of 1962 (S. 2476), which would, as she explained, "protect domestic industries which, though able to increase their annual output, are nevertheless losing most of their growth to increased cheap labor imports from abroad."

Mrs. Smith was joined in sponsorship of this proposal by an impressive list of 25 Senators, representing states ranging from the Atlantic Seaboard to Hawaii and from the Canadian border to the deep South.

We are sympathetic to the aims of this amendment. It recognizes the precise problem from which my industry has long sought relief in the Congress and at the Executive level—that of imports of cheap foreign fuel oil which, in Mrs. Smith's words, are usurping "most of the growth" of a domestic product—in this case, coal—in the vital Northeastern industrial section of the United States. I am only sorry that my good friends and neighbors in New England have not heretofore seen fit to join in our efforts along these lines.

Other measures are pending which have strong support, and which all reflect the growing concern of the members of Congress of both Houses, on both sides of the aisle, for the weakening of our economic structure by increasing imports of various goods and commodities.

Just to mention two, the Senate now has before it for consideration a measure by Congressman John Dent of Pennsylvania (H.R. 478), which was passed overwhelmingly by the House of Representatives on September 28.

It is intended to protect the jobs and wage levels of American workers whose employers are faced with a loss of markets from low wage foreign competition. Certainly this nation cannot have a policy of enforcing a floor on wages and then seeing its workers unemployed because such a wage floor permits imported goods, made by poorly paid labor, to take over the domestic market in which his employer cannot compete. If we intend to maintain a minimum wage level, we have to expect American consumers to assume the cost of the ultimate product. We cannot have our affluent wage cake and eat from it low price slices.

Also, there are now pending in both Houses, with impressive support, bills to limit by law the importation of crude oil and petroleum products to 12.2% of domestic production—the level now used as a guide for import limitations by the Department of Interior, but which domestic producers complain is being eroded by permissive leakages and loopholes. They attribute to imports the fact that the U.S. is now in its eleventh year of declining domestic oil exploration and development.

But these bills only half deal with the problem of excessive energy fuel imports. By far the most serious present threat to our domestic fuels security is created by the virtual flood of foreign residual oil landing on the East Coast. This is true because imported residual principally competes not with oil produced in this country, but with coal, which is by far the largest resource of fuel we possess and offers the greatest assurance that we can be self-sufficient in energy fuel for many years ahead.

But if we are to depend on our domestic fuel resources in the future, we must maintain and develop them, rather than let them lie idle and fall behind the rapid growth in our economic and our fuel demands.

Our record for protecting our domestic fuel economics has not been good in the recent past. Let's look at that record and at where the course we are presently following may lead us.

Fuel for energy under today's scientific technology is largely fossil in nature—petroleum, natural gas and coal, supplemented in some favorable locations by hydro.

Nuclear energy is on the horizon, and it may someday make a contribution to total energy supplies, although this is by no means as certain as its proponents would have us believe.

Although no other single factor is more important to any nation's ability to exist, to expand its productive capabilities, feed its people, defend itself against

enemies or provide a good livelihood for its workers, America does not, and has never had, a definitive policy to insure its energy fuel development.

Undoubtedly this has been because we have been so abundantly endorsed with fuels resources in the past. Until just recently it was unthinkable that we should have to question where future energy reserves would come from. And, unfortunately, few people seem to realize that that situation is changing.

Decisions which are made by government now may determine whether we will maintain a self-sufficiency of energy potential for years ahead or become, for the first time in our history, a fuel have-not nation.

Both industry and government authorities agree that we can now foresee a time when our domestic requirements for liquid and gaseous fuels will exceed our national domestic supply at the present rate of exploration. Since about 70% of U.S. energy fuels are required in the liquid and gaseous forms, this means that before too long we will have to greatly stimulate domestic exploration with the hope—by no means certain—of finding large new reserves, will have to tremendously expand our research and development for producing liquid and gaseous fuels from our vast coal reserves, or will have to become dangerously dependent on foreign imports of crude oil, refined products and natural gas.

Already a dangerous dependence on imports of residual fuel oil used as fuel has developed along the East Coast. There is now virtually no restrictions on residual oil imports on the East Coast and that area is already dependent on imports for 81% of its total residual oil needs.

Residual oil imports, even though they were subject to formal quota limitations during the six years prior to April, 1966, increased from the equivalent of 39 million tons of coal in 1960 to the equivalent of 77 million tons of coal last year. In 1966, we imported more than 320 million barrels of residual oil for use on the East Coast, while total consumption was less than 400 million barrels. What in the world would we do if these imports on which so many commercial, government and industrial establishments have now come to depend should be suddenly shut off? They could be reduced over a reasonable period of time and adequately replaced by domestic fuels. But this is not the way it is likely to happen if political or even military developments in other countries over which we have no control should destroy or make unavailable the exports. Let's not kid ourselves. It could happen. In fact, it did happen in World War II and, even though at that time we depended on foreign sources for only a fraction of the amount of fuel oil which they supply us today, we all remember the brownouts, the closed down schools and the general shortages of fuel which forced the government to plead for an immediate expansion of coal production and to request every fuel user who possibly could to switch from oil to coal.

When the mandatory controls on the imports of residual were imposed by Presidential Proclamation in 1959, it was because a Cabinet Committee study had reported to the President that if residual oil imports continued to increase, they were likely to threaten the national security. Imports today exceed the 1957 level by almost 200 million barrels. The economic significance of these facts to American workers and to America's fuel energy security is evident when it is realized that each million tons of coal mined and transported, even with today's high degree of industry mechanization, provides better than 400 jobs in the coal mines and on railroads and barges.

The comparative growth of the two fuels on the East Coast gives evidence of the impact these imports have had on the domestic coal markets. Between the year ending March 31, 1966 and that ending March 31, 1967, coal consumed in District I, or along the Atlantic Coast, increased only 2.8 million tons over the year before. The use of residual oil, on the other hand, increased 10.2 million tons of coal equivalent in the same period and the use of natural gas increased 7.7 million tons of C.E.

On a percentage basis, the increase in the use of coal during the year ending March, 1966, represented 49% of total increased use of all three fuels. On April 1, 1966, import control quotas were placed on an open end basis, meaning that for all intents and purposes the volume of imports was no longer restricted. As a consequence of the loosening of import controls, coal's share of the increase shown by the three fuels in the year ending in 1967 was only 13½%.

These figures make it clear that the domestic coal industry is being most seriously damaged in what was once its prime growth market on the East Coast.

It must not be forgotten that, before the residual oil import control program began, there had been an official government finding that dependence on a level of imports higher than the total in 1957 would threaten the national security.

Since the original Presidential Proclamation was altered in the early 1960's to permit import levels to set at the discretion of the Secretary of Interior this warning has been ignored and more than four-fifths of all of the residual oil now consumed on the East Coast originates from overseas ports and could become unavailable under a national political or military emergency.

The following table illustrates the almost unbelievable growth in volume of imports in the past several years.

RESIDUAL OIL IMPORTS INTO DISTRICT I—OIA YEARS ENDING MAR. 31

	Thousand barrels	Percent change
1959-60	157,652	
1960-61	152,006	-3.6
1961-62	168,325	+10.7
1962-63	193,607	+15.0
1963-64	211,674	+9.3
1964-65	239,386	+13.1
1965-66	284,467	+18.8
1966-67	321,920	+13.2

This situation could become even more critical to the American coal industry and its employees, and to America's assurance of strong domestic fuels industry needed to meet our energy growth demand, under proposals now being considered by the Secretary of the Interior to encourage greater imports of petroleum and petroleum products, even including crude oil, for use as fuel.

All of this boils down to the fact that America badly needs, but does not have, a sound national policy directed towards developing, conserving and making the most beneficial use of its fuels and energy reserves.

The establishment of such a policy, I realize, does not necessarily come within the purview of these hearings or this Committee. It is encouraging that the President has ordered a thorough study of energy resources by his science advisor, Dr. Donald F. Hornig, looking toward coordinating energy policy on a government-wide basis. Hopefully, a sound fuel policy will eventuate from this study, but this could take years and we may not have that long. I have pointed out what has already taken place in residual oil imports when Congress has failed to act and left control of fuels imports to the judgment of the Secretary of Interior. Spokesmen for the petroleum industry have or will bring before this Committee similar facts regarding our domestic supplies of oil and natural gas. Unless there is Congressional restraint there is no reason to believe that the tremendous growth of residual oil imports will be slowed down to a lesser rate in the future than has prevailed in the past.

Great progress is being made in research to develop feasible and economic technology to convert our billions of tons of coal reserves into liquid and gaseous fuels competitive in cost to our dwindling domestic supplies of these fuels in their natural state. If, however, we should be faced with a greatly increased flood of imported crude oil and petroleum products at low foreign prices, these converted fuels could not compete and this successful research effort would go for naught.

Under present law this could well happen. Almost by a stroke of the pen the Secretary of Interior could open up American markets to vast new supplies of foreign fuels—residual oil, crude oil and other products, and natural gas. As I mentioned earlier, he has already published in the *Federal Register* proposed rule changes which would permit the unrestricted imports of crude oil and certain distillates to be used as fuel. Domestic petroleum producers have warned that we need not expect any reversal in the downward trend in exploration and research while the future market is threatened by growing overland imports and the possibility of further realization of overseas shipments. Already natural gas is being transported by vessels in a frozen state throughout the world and just recently a symposium on economics of gas transportation in Budapest heard a French report of new transportation technology which could cut the cost of shipping liquid natural gas by up to 40%. With vast new supplies being discovered throughout the world it is not at all inconceivable that the American market could be invaded if such cost reductions are taking place.

In 1965, we proposed the adoption by Congress of a formula which would not have penalized persons who consume imported residual oil, but it would

have limited the growth in residual imports to a reasonable percentage of the growth in competitive fuel demand on the East Coast. Under this formula residual imports would have been restricted to 66⅔% of total consumption in District I during the corresponding quarter of the previous year. Under this formula permissible imports in 1966 would have been 288 millions barrels. No action was taken and actual imports during last year grew to 322 million barrels, or 34 million barrels more than what we believed would have been a reasonable increase. If this unreasonable increase in residual imports is to be halted, apparently only Congressional action can accomplish it.

Today, imports of residual oil constitutes about 80% of total consumption on the East Coast. We contend that this is far too high for national safety and certainly at this level they are seriously damaging coal's market position and coal's growth as a participant in the competitive market of the East Coast, and particularly of North Atlantic and New England states. We believe imports should be substantially reduced, but if this is not possible, certainly they should not be permitted to grow at a far greater rate than the growth of competitive market demand. We urge the adoption of S. 2476 and the companion House measure, but with an amendment which would, henceforth, limit the imports of residual oil to be used as fuel to no more than the present 80% of total consumption of residual oil in District I in the corresponding quarter of the previous year. This is an extremely liberal limitation and will do nothing to recover for domestic fuels the vast markets that have already been usurped by foreign residual. We believe the national security requires that this percentage be sharply reduced, but if that reduction is not feasible at this time, certainly the very least that must be done is to prevent a further rise in the percentage of imports over domestic production and further erosion of essential domestic fuel markets on the Eastern Seaboard. Such modest restraints, we propose, would have the effect of accomplishing this.

Thank you.

STATEMENT OF SENATOR CLIFFORD P. HANSEN BEFORE THE SENATE FINANCE COMMITTEE CONCERNING IMPORT QUOTA LEGISLATION

It was World War I which left Europe weak, its industry nearly destroyed, its economy heavily debt laden. It was World War I which turned the United States into a creditor nation and made America one of the most powerful of the world's powers.

Washington, D.C., is truly the capitol of the free world. Americans realize the power of our nation and are aware of the responsibilities that come with power. The United States, more than any other nation in the world, cannot ignore, cannot isolate itself from what goes on in the world of today, although many wish we could.

And, indeed, it has not. Since the end of World War II, the American people have contributed over $125 billion in direct assistance to other nations. It has been the American people, the American taxpayers, who have made the greatest contribution to narrowing the gap between the so-called have and have-not nations.

But while we are aware of our responsibility to the rest of the world, I believe that our first concern is for the welfare of our nation's citizens. Though the United States as a nation has many interests and many goals in the establishment of priorities, the welfare of the American people must come first.

The issue which we are concerned with today is intricately connected with the welfare of the American people. The question of import quotas is a question which vitally affects the prosperity of our own people, for imports do, indeed, affect the United States' economy.

Steel imports in 1966 were 11% of total domestic consumption while U.S. exports fell by 40%. The irony of these figures is that the new steel mills in West Germany, Japan and India were built, at least partially, with American aid—with income taxes paid by American steel workers, with corporate taxes paid by American stockholders whose plants are "feeling the pinch."

In the textile industry imports have increased considerably in value while exports have risen only slightly. The textile industry is a repetition of the story of steel. American dollars have helped build modern foreign plants whose products, often subsidized by exporting nations, come back to America to get a share of the great American market.

In May 1967, live choice-grade steers were bringing beef raisers about $26.75 per hundred pounds, down from the 1966 peak of $32.00; hogs fell from $30.25

per hundred pounds to $24.00 a year later. The price for American furs has fallen from $22.45 a pelt in early 1966 to $10.32 in summer 1967.

The economic squeeze created by imports is not limited to industries alone—it affects the small rancher and farmer, the wool grower and dairyman. The increasing importation of foreign goods and its subsequent impact upon American enterprise has three very basic and long-ranging effects:

First, our concern is with the jobs that are represented by the statistics. The inroads made by foreign goods upon the domestic market mean a loss of jobs for Americans. This relationship was demonstrated once more with the announcement last Thursday that the unemployment rate has risen to 4.1%. The inevitability of job loss with increasing imports from foreign countries is a fact that must be taken into consideration.

Great concern has recently been directed toward the migration of American farmers and workers from rural America to our great metropolitan areas where they all too often become part of the growing number of unemployed, untrained labor. Certainly much of the problem in our cities is due to the great number of unskilled and thus unemployed men and women.

Secretary of Agriculture Orville Freeman, speaking out on this situation, states, "It is a problem that is growing, a situation of increasing urban impaction and rural depopulation that I think threatens the very foundations of this Republic."

Although this problem has apparently been recognized by the Administration, the source of the problem, i.e. the decreasing profitability of life on the farm, has not led the Secretary to conclude what appears so obvious to many of us. One very significant reason for this decreasing profitability is the strong competition our agricultural community is encountering from cheaper foreign markets.

In 1966 the U.S. imported 75,434,000 pounds of lamb, goat and mutton worth $21,415,000; 983,934,000 pounds of beef and veal worth $354,165,000; and 240,-576,000 pounds of raw wool worth $156,681,000. The U.S. also imported $93,288,000 worth of dairy products in 1966. These imports are undoubtedly at least partly responsible for the fall of the parity ratio to a record low of 74. The relief so vital to the farmers would be a restriction on the imports which have been so detrimental to their economic well being.

The problem of cheaper foreign production is well illustrated in the steel industry. The national average in Japan for a worker in a steel mill is $1.08 per hour; the wage is $1.75 in Europe. Compare this with the salary of an American steel worker—$4.63 per hour. When a ton of U.S.-produced steel is sold that price must, of course, include the tremendous differential on wages. It is estimated that 83,000 jobs have been lost as a result of steel imports.

The second facet of the import quota question is the necessity for this nation to maintain equality between our exports and imports. Certainly the trend has recently been that of increasing imports and decreasing exports in many areas such as automobiles, steel, textiles, and machine tools. In 1950, the U.S. percentage of the world automobile market was 75.7%. Today it is 42.4%. Congressman Thomas B. Curtis pointed out that the disparity between imports and exports in textiles accounts for $800 million of the balance of payments deficit. Such is undoubtedly the case for a number of other areas in the American economy.

Although there are attempts to indicate the present balance between imports and exports, a factor that is not often taken into account, but most cerainly should be, is the large amount of U.S. loans and grants to foreign governments for purchases in this country. Thus, in many cases, American goods have been purchased with American dollars. It is we who have purchased the goods from ourselves and then granted them to other countries.

A third factor to be considered is the tax contribution that U.S. industry makes to our state and local governments as well as the Federal government. American goods made by American labor and purchased from American industry result in increased national income which, in turn, results in added tax dollars as well as increased purchasing power and greater demand for American goods. The tax contribution made by industry is also enhanced by increased consumption of domestic goods.

The financial squeeze in which most of our state and local areas find themselves adds a sense of urgency to this matter. When tax revenues seem as scarce as they do at this particular time, we cannot disregard the contribution made by the production of American goods.

Although I do not favor a completely prohibitive quota on imports, a more limiting quota system is necessary for the continued employment of our American labor force, for a greater movement toward export-import balance, and for the

maintenance of tax revenues resulting from American industry employing American labor.

I would therefore urge this Committee to act with as much speed as possible on this matter so that more realistic quotas may be established to avert the continued economic weakening of so many areas of our national economy.

Only by taking these steps can we help assure the health and growth of these important segments of our economy. They are vital to America.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I wish to express my support for legislation now under consideration by your committee to effectively limit excessive imports of dairy products, lead-zinc, mink, oil, textiles and meat into the United States.

As a sponsor of five such import quota bills in the House of Representatives, I have long held the view that in the promotion of international trade, we cannot afford to sacrifice or sell-out basic industry. And in my mind there is no question but that these basic industries are suffering, and that present unrealistic import quotas are largely responsible.

The consumers' interests and balance of payments problem must be balanced against the values and maintenance of basic industry and the damage which would follow from irreparable injury to the producers and to the areas engaged in these basic industries. We have given excessive weight to encouragement of imports for benefits which do not fully compensate for the damaging effects of our domestic industries.

In the case of meat imports, for instance, total U.S. production of beef has risen from 9.5 billion pounds in 1950 to over 19.7 billion pounds in 1966. Total consumption, and per capita consumption have risen proportionately, and the U.S. population has increased by more than 19 million persons since 1960. However, during 1950 to 1966, the total number of beef imports increased from 338 million pounds to 1.1 billion pounds, and today represents more than 5 percent of total U.S. consumption. This has been a depressing factor to what should be a healthy domestic livestock industry.

Likewise, mink imports into the U.S., chiefly from Scandanavian countries, showed an increase of 23 percent in 1966. This factor has been especially damaging to my own state of Utah, which is the third largest mink producing state in the nation. For this reason, I amended my mink import bill not only to place a 40% quota on raw mink, but to increase the ad valorem tax on dressed, or processed mink, to avoid any loopholes in the import quota law.

In the case of textiles, importers of manufactured woolen products from Italy, Hong Kong and Japan have increased their share of the domestic wool textile market from 8 percent to almost 24 percent between 1956 and 1966. The increase of imports of other textile products has been even greater. And although imports of oil have remained relatively stable since the Mandatory Oil Import Program was implemented in 1959, domestic exploration and drilling and development have declined steadily. Again, using my own state of Utah as an illustration, there were 383 new wells drilled in 1959, one year before the present program was put into effect. Since then, new drilling has declined progressively down to 169 new wells in 1965.

The lead-zinc mining industry has remained relatively stable during the past few years, but producers justifiably assert they are facing another threat from foreign competition which would bring a repeat of the same disastrous conditions caused by excessive imports in 1957 and 1958. The flexible quota proposed for lead and zinc would only reasonably insure the industry of maintaining its present healthy condition.

The President has taken action on limiting the import of certain dairy products. But here again, we need a permanent solution to encourage investment and growth of our dairy industry.

I certainly do not subscribe to an isolationist theory of wholesale restriction of imports. However, we must responsibly encourage our own basic economic wealth with some effort at price stability if we are to remain economically responsible and maintain the strength to give leadership to the free world.

For this reason, I respectfully request favorable action by the Senate Finance Committee on the import quota bills which I have mentioned.

Sincerely yours,

SHERMAN P. LLOYD,
Member of Congress.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washigton, D.C.

DEAR MR. CHAIRMAN: I appreciate very much the opportunity to submit a statement to your committee on trade problems as they affect the First District of Idaho. You are to be congratulated for holding these hearings on a matter that is of grave concern to every thinking American.

Trade means many things to many people. It is a diplomatic tool to the State Department official, and the economist often views it from a theoretical standpoint. But to the average citizen it can be a matter of survival. Since it is the average citizen who sends us to Congress, it is his position that my views will tend to reflect.

All of the diplomatic and economic hokus-pokus in the world cannot hide the fact that a great segment of Idaho's citizens have been seriously harmed by the heavy influx of imports. Miners, farmers, and ranchers have all felt the sting of foreign competition as well as the hopelessness that an unconcerned government can bring.

My district is made up of a series of small towns. When miners and farmers feel the pinch of foreign imports, it usually affects the economy of others in the surrounding communities.

Historically, the lead and zinc mining industry has been one of the major bulwarks in Idaho's economic structure, and my State has consistently ranked among the top three in both lead and zinc production. It would be inaccurate to say that lead-zinc producers in my State have not participated in the prosperity of the rest of the nation. But since the President by executive order in 1965 removed the prevailing quota system, there is growing concern for the future, and with good reason. Increased production coupled with increased imports have led to increased levels of metal stocks. This is the same sort of situation which depressed the lead-zinc industry in the late '50's.

Through August of 1967 approximately 340,569 tons of lead were brought into this country from foreign sources. Compare this with the first eight months of 1966 when lead imports amounted to 269,358 tons. Already this year, lead imports account for nearly as must as was imported in all of 1965.

It is about the same with zinc. During the first eight months of this year, imports totalled 57,000 tons above the same period in 1966.

While lead imports were increasing 28% and zinc imports were growing 18%, domestic prices continued to tumble. To complicate the situation, a labor-management dispute that has affected 80% of the lead smelters, 42% of lead refineries, and 27% of zinc smelters, has created a situation whereby prices may decline even further.

The miners in my district would probably accept, with reluctance, the conquences that advanced technology might have on employment in their industry, but they do not understand a government (especially one which constantly professes its concern for the wage-earner) giving preferential treatment to the products of low-wage laborers abroad.

Dairy farmers have probably been injured by foreign imports as much as any other industry in the country. It has been estimated that well over 6,000 dairy farms have gone out of business due to imports in the past few years.

A presidential proclamation, issued June 30, reduced the import quota from 4.3 billion pounds to 1 billion. On the face of it, that would appear to be a significant reduction—until you remember that 1 billion is not an insignificant figure in itself. In fact, it far exceeds the quota for dairy imports in the past.

That the presidential proclamation has not solved the problem is evidenced by the fact that the Commodity Credit Corporation is still buying huge quantities of dairy products to bolster unsteady prices. Whatever became of those statements about vanishing surpluses? Whatever became of the concern for a world food shortage?

Instead of discouraging production, we should be encouraging it. And it apparently is up to Congress to do something about it. Using the Agriculture Department's own figures, 82,000 farms are headed for oblivion during 1967. So, dairy farmers are not the only ones with problems of survival.

When Congress passed the Meat Import Quota Bill in 1964, it was called "a first step," and that there would have to be a reappraisal made as to the effects of the act on livestock producers. The time has come for that second look, and the picture is not a pretty one.

The stockman finds the cost of living increasing, his cost of operation increasing, and his competition from imports increasing as well.

For the provisions set by the Congress in 1964 to take effect, imports must reach 905 million pounds. Secretary Freeman has estimated they will run between 800 and 900 million pounds this year. In the meantime, the rancher teeters on the brink of bankruptcy.

I am indebted to Congressman Langen for some startling facts with respect to textile imports. One out of every four yards of wool textiles consumed in this country comes from a foreign source. What this means to the domestic producer is an annual loss of $101.3 million annually in manufactured textiles. Total imported sheep products reached $606 million last year alone. Accompanying these rising imports is declining prices for the domestic producer.

There are 88 mink ranches in Idaho. Last year they produced 142,291 pelts. Mink pelts from foreign sources totaled 5,650,929 in 1966, up 16% from the previous year. If estimates for the current year are born out, foreign mink producers will have captured nearly half of the domestic market. I am gratified that the President has finally ordered the Tariff Commission to investigate this troubled industry, but past experience leads me to believe that permanent relief can come only from Congress.

The honey industry is likewise concerned, and for a special reason. Many agricultural crops in the United States require pollination to enable the farmer to produce his product. Domesticated bees are therefore important not only to the honey industry, but in other fields of agriculture as well.

Our government in recent years has pursued a policy of planned or controlled inflation. So long as all other nations experience inflation at least as great as ours, this does not add to our import-export problems.

Leaving all other arguments about fiscal policy aside, however, if the rate of inflation in our country exceeds that of any other country, that country's exports to us at some point becomes a threat to any domestic enterprise with which it competes. We would have simply priced ourselves out of the market.

It has been argued that our government should pursue the benefits of free-trade and respond only to domestic problems by attempting to re-locate those businesses and people adversely affected by low-cost imports. This is not sufficient so long as present monetary policies are pursued. At any rate, some protection is demanded until adequate machinery can be devised and implemented to meet this problem.

In addition, many foreign countries have avoided the effects on *their* businesses of lowered tariffs through utilization of devices other than the tariff. We certainly cannot be blamed if we utilize one of these devices to protect our own.

As you yourself said, Mr. Chairman: "We must be zealous in our concern for the welfare of American workers and their employers, as we are for those who live in distant lands."

Implicit in that statement, with which I heartily agree, is not a desire to return to strict protectionism, but rather to foster a climate in which all of our people, unhindered by the economic conditions that exist elsewhere, can share in the abundance that has been bestowed on America. Perhaps by showing once again that free enterprise and the capitalistic system can and does work, the less fortunate peoples throughout the world will shed alien philosophies and pattern themselves in our way of life.

I would remind those who equate fair trade with free trade that prosperity, like freedom itself, cannot be held long. Indeed, fair trade is a two-way street, and it must be made as fair for the domestic worker as for his counterpart abroad.

JAMES A. MCCLURE,
Member of Congress.

STATEMENT OF CONGRESSMAN JAMES V. SMITH, SIXTH DISTRICT OF OKLAHOMA, BEFORE THE SENATE FINANCE COMMITTEE ON IMPORT QUOTAS, OCTOBER 20, 1967

Mr. Chairman, I want to sincerely express my appreciation to you and the other distinguished members of this Committee for allowing me this opportunity to testify on the serious situation which, in my opinion, exists today in many areas of our producing economy because of the importation of foreign products into our country.

While I am aware that many distinguished members of the Administration, including the Secretary of State and others, have already testified before this Committee concerning this important matter, I feel that I would be shirking my duty as a Member of Congress if I did not present my views concerning the economic damage that is being done to many of the nation's industries as a result of foreign importation. In my opinion, the greatest culprit in the supply-demand situation is the federal government with its liberal import policy. Every nation in the world had import barriers directed against us in the form of fees, quotas, and other protective devices for their own product. In my opinion, we have been far too intent on making "friends" to protect properly our own basic industry. This is a two-way road. We should continue to work for lower tariffs everywhere, but they must be on a reciprocal basis. While I realize many similar bills have been introduced in this distinguished body concerning imports, I have, as a Member of the House, as well, introduced several bills which are presently pending in that body. The measures which I have introduced encompass import restrictions which I feel are necessary in the dairy, meat, cotton, oil, and honey industries of our country.

Last year dairy products imported to our country amounted to about 2.6 billion pounds of milk equivalent, primarily cheese, and federal plannners declare is but a minute part of our present 125 billion pounds of domestic production. But I submit it is this fraction that hurts. The bulk of cheese imports is so comparable to our plentiful supply that domestic cheese sales have been heavily damaged. These imports have increased 300 percent in the last 15 months, mostly from Europe, and, in my opinion, this is still one more form of American economic subsidization.

Beef imports last year rose to almost 900 million pounds, more than 200 million more than in 1965, for the equivalent of 900,000 steers of 1,000 pounds weight. For comparison use the numbers of beef cows to represent the import weight. Oklahoma has the second largest total of beef cows in the nation. United States beef imports last year were equivalent to almost one-half of Oklahoma's total beef cows numbers. They are the "factory" producing our largest single source of agricultural income.

Nationally, although slaughter of female beef animals (cows and heifers) has been at a record high the past two years, there are 700,000 more cattle in feedlots now than a year ago. This is a new evaluation, since federal figures have been adjusted to fit a host of "phantom animals" not previously included.

Domestic beef cattle producers realize there are some problems which must be solved at home; however, these problems cannot be fully resolved as long as the quantities of imports remain so high.

The United Arab Republic, a foreign nation which in the last few months has constantly denounced the United States, has annually shipped to the United States 69,000 bales of extra long staple cotton fiber which is estimated to be worth between $12 and $15 million. On the other hand, United States cotton farmers have been restricted to planting 70,500 acres of this type cotton and with the passage of a bill which I introduced in the House, this acreage could be doubled. I have never been able to understand the reason for importing extra long staple cotton when our own farmers are capable of supplying our country's needs. In 1963 we produced 161,000 bales here in the United States. This year we have produced 71,000 bales. I believe it is time to close United States markets to raw, semi-processed or processed extra long staple cotton which is the product of a country which has severed diplomatic relations with the United States. I think it is utterly ridiculous that the American cotton farmers should suffer because our nation has in the past and is presently allowing a belligerent nation to destroy the American farmer's production of this product.

Mr. Chairman: I originally introduced in the House a bill which would amend the Tariff Schedules of the United States in regard to honey and honey products. Much has been said about the fact that we are a net exporting country and that imports should not be causing any difficulties. I would ask any member of this Committee to explain this to the American Beekeeper, whose customers are

buying imported honey, or to a beekeeper who has reduced his price to meet the price of foreign competitors. I would ask anyone to explain, if possible, to an American Beekeeper that honey imports do not affect our honey pricing support program, or beekeepers who have been forced to deliver honey to the Commodity Credit Corporation because their buyers are importing honey. The honey import bill should be passed so that the beekeepers may have an opportunity to achieve the national goal in public policy, clearly set forth in all major agricultural legislation, that they might have an opportunity to achieve parity prices for their honey and wax. A beekeeper should enjoy a level of income commensurate with that received by other segments of our economy, and our nation should have a thrifty beekeeping industry maintaining sufficient colonies of bees to insure adequate pollination for nearly 90 important food and fiber products.

As a Congressman from Oklahoma, I have a further concern over the recent direction which the oil import program seems to be taking.

The independent segment of the oil industry in the State of Oklahoma is struggling for its very survival. Since the 8 year old mandatory oil import program was undertaken in 1959, to protect the national security as relates to petroleum fuels, there have been accumulated pressures on the oil import program which could be summarized as follows:

1. Certain proposals by five different companies to construct new or expanded refinery-petrochemical facilities in Puerto Rico and the Virgin Islands, with authorization to move about 85,000 barrels daily of light products and an indeterminate volume of residual fuel to the U.S. Mainland.

2. Pending "trade zones" at Taft, La., and in Bay County, Mich., both approved by the Foreign Trade Zones Board. The Department now has the responsibility for acting on applications to permit 30,000 barrels daily of foreign petrochemical feed stocks sought for processing in these zones.

3. The Canadian exports into U.S. markets, which were estimated and then deducted from other (off-shore) imports in each allocation period, exceed agreed-upon volumes in each period, and because of new Canadian capacity are resulting in increasing pressures which many doubt can be contained under the informal arrangements that have applied to Canadian imports in the past.

4. For reasons that still are not clear, Interior proposed and the President signed an amendment to the oil import prolamation to give Secretary Udall "discretionary" authority to import asphalt outside the 12.2 import ratio. The proposal was said to be tied to developing "asphalt shortages" and "higher prices"; however, I must say I have been unable to find evidence of either "asphalt shortages" or "higher prices."

5. In addition to the very real potential of these threatening and widening "loopholes," confidence in the import program is further under-mined by government's declared intent to manipulate the program as a coercive means of holding down oil prices. Secretary Udall has notably mentioned that keeping down prices is the basic reason for the proposal to permit greater asphalt imports.

Not one of these propositions to hike imports has any relationship to security considerations. All are simply private measures to give specific companies special or preferred treatment in their access to foreign oil or its products. Each could have only one effect—to improve its sponsor's economic position in relation to competitors.

In addition to this accumulation of threats to the stabilization of the import program, the completely unauthorized interference into oil pricing, first in the Oklahoma-Kansas crude oil prices last fall, then in gasoline prices, now in asphalt prices, serve to shatter confidence in the entire program. These actions serve only to raise the questions as to whether imports are to be firmly limited to serve oil security objectives or maneuvered to keep depressed oil prices further depressed.

The only basis for mandatory oil import program is national security, and that basis must be completely reaffirmed. With that overall objective in mind we should:

1. Commit ourselves to the preservation of the general principles of the current quota system with a reasonable reduction in the overall level of imports.

2. Include all non-residual imports into Districts I through IV within the prescribed import ratio.

3. Subject all products moving from off-shore chemical plants to the same restrictions that such products would have if moving from foreign sources.

4. Allow free imports into trade zones only to the extent products are exported and require raw material quota in proportion to the U.S. product imports.

5. Delay the use of the "discretionary" asphalt import authority at least until the Office of Emergency Planning has completed its study of national security aspects of the importing of both finished asphalt and asphalt content crude.

6. Continue to recognize the defense contribution of overland crude by exempting these imports from controls but restrict overland import growth to the same rate as the U.S. crude demand growth.

7. Establish more specific guidelines for the operation of the Oil Import Appeals Board.

Because so many states, including Oklahoma, are supported by the oil industry, and because the whole stability of our economy could be at stake, I would further recommend a mandatory import be set by the Congress to provide long-range stability and insure an ample oil supply to this country in the interest of national security.

Thank you.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: With reference to the hearings your esteemed Committee is presently conducting on various legislative proposals to impose import quotas on specified commodities, I am enclosing copy of the telegram received from my constituent, Mr. Daniel B. Richardson, Vice President of the Reed and Prince Manufacturing Company, in the City of Worcester, Massachusetts, urging your Committee approval of the "omnibus" amendment to the measures before you.

May I say that multitudinous other businesses, in the machine-tool, textile, shoe, leather, carpet and many other manufacturing areas have also expressed their convictions in favor of the imposition of quota import limitations on these articles because of the very serious economic hardships adversely affecting these domestic industries and their employees by reason of low-priced excessive importations which cannot be competitively met through no fault of our home manufacturers and their workers.

I should like to add to the recommendations of these business and employee organization representatives my own appeal for your Committee approval of an equitable system of reasonable import quota restrictions, at least until those domestic industries, particularly the several in my state and regional area, whose continued existence is gravely threatened by unfair foreign competition, have been given sufficient opportunity to adjust to the increasing economic dangers from foreign importations and afforded the full survival assistance inherently pledged in the original trade agreements legislation.

I shall be grateful if you will appropriately record this recommendation, and I shall be further grateful if you will notify me of your Committee action.

Many thanks for your courtesy and with best personal wishes.

Sincerely,

HAROLD D. DONOHUE,
Member of Congress.

WORCESTER, MASS.

Hon. HAROLD D. DONOHUE,
Senate Office Building,
Washington, D.C:

Subject: Omnibus amendment to import quota legislation this company and its employees respectfully request and urge you to take immediate and necessary steps to support enactment of the "omnibus" amendment to the import quota bills now before the Senate Finance Committee. Our business is already feeling the effect of low-wage cost imports entering the United States, if the situation continues, the company as well as our employees will be affected as a result of the 50 percent GATT reduction in U.S. import duty rates on our products.

DANIEL B. RICHARDSON,
Executive Vice President, Reed & Prince Manufacturing Co.

STATEMENT OF REPRESENTATIVE LAURENCE J. BURTON OF UTAH BEFORE THE SENATE FINANCE COMMITTEE AT HEARINGS ON IMPORT QUOTAS

I am grateful to the Committee for affording me this opportunity to make known my views on the subject of import quotas. I have been greatly concerned with the difficulties that foreign competition has occasioned our domestic producers in a number of fields. I speak specifically of the livestock, textile, mining, dairy, fur breeding, oil and steel industries, which, in my view, have been particularly hard hit because of the extensive relaxation of restrictions on imported goods coming into this country.

In my State of Utah, producers in all of the above-mentioned industries have been adversely affected by what I consider to be unwise and unfair trade policies. As a matter of fact, to a good many people engaged in these industries, the trade policies have been downright ruinous. Take, for example the situation with respect to the mink producer. I wish to insert at this point a copy of a letter I received several weeks ago from Mr. Richard E. Westwood, prominent mink rancher in Utah and President of EMBA Mink Breeders Association, a national organization. Mr. Westwood's letter sets forth very clearly the problems facing his industry under present import policies.

In recent months I have visited with many mink ranchers in my State, and some from other states, as well, who simply are backed-up to the wall economically. They need help. And they need it from the Congress and the Administration. Either they get it, or, as Mr. Westwood says, ". . . there will be no mink ranching business in the United States." While import quotas and trade barriers may be anathema to some, I must say that I prefer them to the present alternative: that of forcing our own people out of business and into financial ruin. For my part, I think it is time that we begin concerning ourselves first with conditions here to at home, and secondly with the welfare of our foreign competitors. I am not opposed to helping stabilize the economies of other peoples in other lands. I believe that we should, insofar as practicable, do what we can to help them. For in so doing, we help not only them but ourselves as well. But we have got to realize that there is no wisdom in helping others if we destroy our own people in the process—and this in some instances is what we are doing.

Our aim should be to strike a happy balance between our own self-interest and that of our neighbors. But, I submit that under present policy there is little or no balance at all.

What applies to the mink rancher also applies, in varying degrees, to our dairy people, our livestock raisers, our lead and zinc industry, our domestic oil and steel industries, and our textile manufacturers. To correct these imbalances I have introduced a number of bills. I refer specifically to H.R. 54 relating to lead-zinc import quotas, H.R. 7573 on dairy imports, H.R. 9375 dealing with meat imports, H.R. 11845 on textiles, and H.R. 10422 to establish mink import quotas. In addition, I fully support other bills of a similar vein introduced in both Houses and sponsored by many members of both parties, which are designed to lend help to our American producers in this critical time.

None of these bills is radical in nature. None wants to build high protective tariff walls that completely shut out foreign goods. There have been some statements made in recent days that to set up quotas on imports would be to return to the days of high tariff and unreasonable protection. This simply is not so. Anyone who will take the time to study these bills will find that they are modest in approach, and reasonable in spirit and tone.

Again I urge that favorable and speedy action be taken on these items.

Thank you very much.

EMBA MINK BREEDERS ASSOCIATION,
OFFICE OF THE PRESIDENT,
July 30, 1967.

Representative LAWRENCE J. BURTON,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN BURTON: In the matter of mink import control bills I want to bring you up to date on the latest developments in the domestic mink market so that you can be fully informed to help get some relief for our industry. The low prices quoted here are due largely to cheap foreign imports.

Because of economic conditions in our industry, the Emba Mink Breeders Association has already dropped from a peak membership of 5023 in 1958 to a low of 3460 at the end of 1966. Most of these quit because they could not survive financially.

Following is a graph showing comparisons by the month of our 1966–67 selling seasons:

	1966				1967			Percent of drop
	Offered	Percent sold	Average		Offered	Percent sold	Average	
December 1965..	136,325	83	$18.20	December 1966.	145,000	48	$15.99	12
January 1966....	814,997	93	22.45	January 1967..	718,807	66	16.75	25
February 1966...	1,131,688	93	21.25	February 1967..	1,206,564	77	17.39	18
April 1966.......	925,579	94	18.06	April 1967.....	1,051,480	68	13.74	24
May 1966.......	736,402	88	17.86	May 1967......	1,014,921	77	12.84	28
June 1966.......	275,265	78	13.80	June 1967.....	885,300	66	10.32	25

As is obvious from the lower percent sold and the increased amount of pelts on later sales, many pelts have been offered for sale several times at steadily reduced prices without selling. The Emba average to date this year is $14.63 gross to the mink farmer.

The following selling costs are incurred before the farmer receives his check:

1967 Average gross to date	$14.63
Dressing	1.50
Auction company commission at 5¼ percent	.77
Association assessment for advertising and promotion	.26
Subtotal	2.53
Total	12.10

This net average of $12.10 is considerably below the average $16.00 cost of production. The June 1967 average gross sales price of $10.30 is the first time in our history when any month's average has fallen below $12.00.

Never before has the association had such a large quantity of unsold pelts at this time of year. Usually we are 90% sold out by now. This year we still have between 300,000 and 400,000 unsold pelts, all of which have been offered at least once at auction and have been bought back because of low bids or no bids at all. This quantity of unsold pelts obviously adds to our problem, in that it is highly probable we face the 1967 pelting season with a carry over of unsold goods from the 1966 crop.

For an even more realistic look at the present market I have taken the sales reports from all auction sales in this country for the past four months (April, May, June, and July). These sales were for the account of Emba as well as the Great Lakes Mink Association (GLMA) and independent shippers. Here the gross average was $12.40. After deducting dressing costs on those pelts which were dressed, you come up with $11.15 average. Auction fee and association assessments come to .78, so the net price the farmer receives is $10.37. Looking at it realistically, I am afraid this figure is what we are looking at for the crop we are now producing unless we get some kind of relief from imports.

The last major sale of the season was held at Hudson Bay Company in New York for the account of Emba. The sale contained 540,108 pelts and was 62% sold at a gross average of $10.60. $1.50 for dressing and .74 for auction and association assessments leaves the farmer a net of $8.36.

If this trend continues there will be no mink ranching business in the United States. It will not only be disastrous for those of us engaged in mink farming, but will be a serious blow to the economy of Utah and even the nation when you consider not only lost income but labor employed, materials and products used, as well as the vast quantities of other agricultural byproducts used for feed.

We mink farmers of Utah appreciate the support we have had from you and hope the above material can be of use in getting further support for mink import controls.

Sincerely yours,

RICHARD E. WESTWOOD.

STATEMENT OF INDEPENDENT REFINERS ASSOCIATION OF AMERICA SUBMITTED BY EDWIN JASON DRYER, MEYERS & DRYER, WASHINGTON, D.C., COUNSEL

SUMMARY

Independent refiners share the concern of independent producers with regard to recent changes in the oil import program which are designed for purposes other than the national security and which threaten the effectiveness of the program in maintaining a healthy producing and refining industry. They endorse S. 2332 which seeks to confirm and tighten the established oil import program.

IRAA points out that the real success of the program depends not only on the overall quantitative limit on imports but also significantly upon the way in which quotas are actually distributed. This aspect of the matter, which is not touched by the presently proposed legislation, is of particular concern to independent refiners because the very survival of most independent refiners today depends upon their oil import quotas.

There was carefully developed over several years and under three Presidents a method for distributing import quotas which has been highly affective, namely, to refiners on a sliding scale basis in inverse relation to refining size. To discourage further deleterious tinkering with the program, IRAA urges the Senate Finance Committee to express its endorsement of this method of distributing these value import rights and to confirm the quota treatment which the independent refiner has had and must continue to have if the import program is to succeed.

Detailed reasons and views in support of IRAA's position are set forth in the current statement and in several prior IRAA statements at Congressional and Administrative hearings. These are submitted and also incorporated by reference.

STATEMENT

This statement is submitted by the Independent Refiners Association of America for two purposes. The first is to express the views of this Association in connection with the Committee hearings of October 18-20 on specific import quota proposals including oil. The second is to express IRAA's views with respect to the Committee's general review of U.S. trade policies, and the proposed extension of the trade agreements statutes, as to which hearings are yet to be convened and the Committee has asked that papers be filed in advance.

It is appropriate at the outset to identify this Association and the companies it represents. The Independent Refiners Association of America consists solely of independent oil refiners. It includes independent refiners of all types—in all parts of the country and of varying size—representing their common interests as independents.

A word about the independent refiner. The independent refiner characteristically owns or controls little of the crude petroleum which he processes and except in rare instances, has little control over the markets in which he sells the products which he manufactures. Yet without a refining element in the petroleum industry crude oil cannot be transformed into consumable products and without the independent refiner, the competitive elements in the market place which provide such products to the consumer will be removed. Moreover, the independent refiner by size and location possesses facilities not readily susceptible of destruction, in even the most grave national emergency. Further, an excess refining capacity upon which this country must depend in times of national peril exists in operable condition, immediately available, only by virtue of the existence of the plants of the independent refiner. The independent refiner is, therefore, critically important to competition in the domestic economy and to our national security in emergencies.

Because of their position, dependent upon the purchase of crude oil for their raw material supply, independent refiners have had from the inception of oil import controls a special concern with the measures proposed to allocate foreign oil to firms in the United States. From the outset of import controls in 1959, this subject has been a matter of major interest to the Association and its members. The current importance of import controls to independent refiners is most simply illustrated by the fact that, absent the share in foreign oil which the import control program allocates to independent refiners, most independent refiners in the United States would be operating at a loss today.

As a result of IRAA's deep concern with oil imports we have testified at all of the Congressional hearings bearing on this subject and all of the administrative hearings on this subject since the inception of the program. The impact upon independent refiners of alternative control measures and the facts in support of independent refiners' proposals (which have been largely embodied in the program as developed until recently) have been set forth previously in these various statements. The most recent of these, submitted in the Department of the Interior's general hearings on the oil import program in May 1967, brought these facts up-to-date. In the interest of brevity we incorporate by reference and attach herewith certain of these key statements, to wit: Statement of May 10, 1961, before the Department of the Interior Oil Import Hearings; Statement of September 2, 1964, to the Senate Select Committee on Small Business; Statement of March 10, 1965, before the Department of the Interior Oil Import Hearings; Statement before the May 22-24, 1967, Department of the Interior Oil Import Hearings, and the Statement of Under Secretary Elmer Bennett dated April 21, 1960, explaining the fundamental premises of the import program, and referred to in the last mentioned IRAA statement.

We should like, however, to highlight certain aspects of the matter of direct and immediate significance for the legislation currently under review.

1. Oil Import Controls Differ from General Protectionist Legislation

The pending oil import legislation (i.e., S. 2332) differs greatly from the pending bills of a general protectionist nature considered by the Senate Finance Committee in the hearings of October 18-20, 1967. It is most significant that the existing oil import program (which it is the purpose of S. 2332 to confirm) has its statutory origin and basis in the several trade expansion acts. Oil import controls are there authorized—under the national security exception to the general program for unrestricted trade. A national security exception was recognized as a necessary part of this country's trade expansion policies. National security has been and should continue to be the basis and the objective and correspondingly the limit of the oil import program.

The other protectionist bills pending before the Senate Finance Committee represent instead a direct collision with the policy of free trade which so recently was pressed to significantly new accomplishments in the so-called "Kennedy round". This difference between the oil import control legislation and the bills of a general protectionist nature should be recognized in the consideration of these bills by the Congress. The national security exception to free trade, which has been an essential part of the free trade policy since its inception, should meet with the approval of even the most vigorous free trade advocates who otherwise would oppose general protectionist legislation.

The oil import proposal now before the Committee reflects essentially the concern of its sponsors that recent administrative actions are tending to twist the program toward objectives other than the national security (specific instances are discussed separately below). It represents a tightening of the program to its national security purpose. As such, the legislation deserves the endorsement of everyone including those favoring the original trade expansion legislation now up for further extension.

2. Recent Steps to Subvert the Oil Import Program

S. 2332 is a response, in effect, to recent steps by the Administration, some accomplished and others still proposed, which would have the practical effect of subverting the oil import program as it has been so carefully developed over the years under three different Presidents. The recent measures which would use the import program for purposes other than the national security include:

(a) The grant of special import treatment to the Phillips Petroleum Company to encourage it to make investments in Puerto Rico which would help the economic development of that territory. Following this special deal, other companies promptly sought similar treatment with proposals to stimulate the economic development of Puerto Rico, the Virgin Islands and even Guam in exchange for the grant of valuable import rights. All these proposals are extraneous to the national security. Worse, they will weaken the program and thus thwart the national security. As desirable as the economic development of these terri-

tories may be, it is not an objective of the Congressional mandate on which the oil import program is based.[1]

(b) The grant of special import quotas to promote air pollution control. The President on July 17, 1967, authorized changes in the oil import program designed to aid in air pollution control. The Secretary of the Interior thereby was authorized to grant *additional allocations* "notwithstanding the levels established in Section 2 of this Proclamation [the limitation on oil imports (except for residual fuel oil) to 12.2% of domestic production in accordance with a careful Cabinet Committee study and Presidential determination that imports above that level would threaten the national security]". A breach of the 12.2% limit by the Secretary is there clearly authorized.

In the same Proclamation and again for the express purpose of aiding air pollution control, the definition of residual fuel oil (which is outside the 12.2% limit) was redefined to include No. 4 fuel oil. The net effect was to remove No. 4 fuel oil from the 12.2% limit and to authorize an increase in overall imports beyond the 12.2% limit as previously applied by an undetermined amount of No. 4 fuel oil imports. As desirable as the control of air pollution may be and as desirable as strenuous efforts in aid thereof by the Government may be, there is still, however, no connection between air pollution and the national security. Significantly none was even asserted.

(c) Expansion of asphalt imports in excess of the 12.2% overall limit. The President on April 10, 1967, authorized changes in the oil import program which would permit imports of asphalt "without respect to the levels of imports prescribed in Section 2 [the limitation on imports to 12.2% of domestic production]". Again, a breach of the 12.2% limit by the Secretary is clearly authorized.[2]

(d) The Administration's threat in February 1967, released through "briefings" by federal officials, to use import controls as a threat of sanction to enforce compliance with the Administration's desire to roll back gasoline prices. No hint of any national security connection appears here and none was even suggested. The Administration merely found its control over valuable import rights a most powerful tool. It felt no restraint in using this powerful tool for objectives completely unrelated to the national security.

(e) There is under consideration by the Administration at the present time (by reason of its affirmative sponsorship by key members of Congress from New England) a proposal which would in effect accord to No. 2 fuel oil (the prime heating oil) a relaxation like that for No. 4 oil, permitting imports beyond the existing 12.2% overall limitation. It remains to be seen whether if done, it will be done by "redefinition" as in the case of No. 4 oil or by authorization "notwithstanding" the 12.2% limit as in asphalt, and the air pollution bonus quotas. But it is obvious that one breach easily begets another. The express purpose of this proposal is to reduce home heating oil costs for consumers in New England. No hint whatsoever of a national security purpose appears.

With such steps already taken and proposed, the present legislative proposals to restrict such adventurous toying with the program make sense.

3. Significant aspects of the oil import program not dealt with in proposed legislation—to whom shall quotas go?

While the limitation of oil imports quantitatively (heretofore to 12.2% of domestic production plus residual as required) is a substantial part of the oil

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[1] Trade Expansion Act of 1962, Pub. Law 87-794, 19 U.S.C. § 1862. Nowhere does the statute contemplate grant of quotas for foreign oil for the purpose of improving economic welfare or unemployment which has not been adversely affected by excessive imports. The lawyers who prepared the Presidential Proclamation legitimatizing the special deal for Phillips apparently recognized this because the special quotas for Puerto Rico there authorized were expressly limited to "instances in which the Secretary determines that such action would not impair the accomplishment of the objectives of this Proclamation . . ." (Section 3(b)(2) of Proclamation 3279, as amended.) The Secretary has authorized the Phillips deal; impliedly he has determined that this one special deal will "not impair the accomplishments of the objectives of this Proclamation." But what about the host of applications for similar treatment now pending! Also interesting: the case for quotas for Puerto Rico and the Virgin Islands is completely at odds with the statute's concern for *excessive* imports in that it relies on alleviating unemployment by *increasing* imports into these areas, and thence to the mainland.

[2] The Proclamation does limit the Secretary's authority to circumstances which "he determines to be consonant with the objectives of this Proclamation" thereby preserving the national security objectives as a matter of legal draftsmanship and thus keeping technically within the Congressional mandate. The fact remains, however, that breach of the 12.2% limit, as previously determined necessary for the national security, was authorized and authorized prior to and in the absence of any real study of the national security impact of asphalt decontrol, i.e., one inviting industry comment such as the Director of the Office of Emergency Planning *subsequently* initiated. 32 *Fed. Reg.* 6155, April 19, 1967.

import program and the present bill is concerned solely with tightening such quantitative restrictions, it is important to note that the real success of the program and attainment of its national security objectives depends significantly upon the manner in which quotas are actually distributed.

Because of the large price differential between domestic and foreign oil, these quota rights are valuable. To whom shall these valuable rights be granted and on what basis? This matter, which is not touched by the present legislation, is of particular concern to independent refiners. As noted above, the very survival of most independent refiners depends upon their oil import quotas.

For reasons which are developed in detail in the prior IRAA statements attached hereto, the carefully developed system of distributing import quotas to refiners and on the basis of a sliding scale in inverse relation to refinery size[3] serves best the objectives of the oil import program. For reasons there documented, that system best serves to maintain a sound producing industry, a sound refining industry, a wholesome competitive environment and the health of the small companies in the oil industry upon which national security especially depends. For a single concise statement on this critical point we refer to the explanaton of the government's decision to distribute quotas in this way, given by Under Secretary of the Interior Elmer Bennett on April 21, 1960, a full copy of which is attached hereto. He said in part:

> Caught in the two-fold squeeze of declining general business and the competitive pre ures from large importers with access to lower-cost imported crude, the domestic refiner was faced with serious problems. I would be less than frank if I did not point out there was grave concern within the Federal Government about the future of the independent refining segment of the industry.
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> * * * * * * *
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> The independent refiner was threatened with extinction by those integrated companies whose refinery locations gave them access to lower-cost raw materials but whose marketing areas everywhere permitted fullest use of this competitive advantage.

The facts and factors there set forth still exist and are still relevant.[4] Extinction of the independent refiner has been averted and this is due directly to the method in which import quotas have been distributed. By that very token, any steps which threaten the independent refiner's quota position, threaten his survival.

IRAA's Recommendation

We urge that the Senate Finance Committee's Report on S. 2332 include not only an endorsement of the quantitative limits heretofore in effect (which S. 2332 would confirm and tighten), but an endorsement also of the method by which quotas have actually been distributed prior to the recent administrative aberrations herein noted, i.e., quotas to refiners and on the basis of a sliding scale in inverse relation to refining size. We urge that the Senate Finance Committee also express clearly its disapproval of the recent steps which have provided for quotas outside of the refiner-sliding scale system and for purposes unrelated to the national security. (If and to the extent that some of the recent steps cannot now be reversed, we urge Congressional recognition of the special role of the independent refiner and Congressional endorsement of the rule that any reductions in refiner quotas (needed to pay for special quota deals and stay within the 12.2% limit) shall be borne by the major oil companies.) Such Congressional expression confirming the skillful administrative development of the import control machinery until recently will discourage further tinkering with the import program. This tinkering, if continued, will soon defeat that program's basic objectives and ultimately destroy both the independent refiner and the independent producer.

In taking this position the Senate Finance Committee will also confirm the position and views of every Congressional Committee which has considered this subject.[5]

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[3] In short, the system as developed over many years prior to the recent grant of quotas to petrochemical companies and for the several other purposes noted above.

[4] See IRAA Statement May 22-4, 1967, p. 12.

[5] *See* especially the report of hearings on "Oil Import Allocations", August 10 and 11, 1964, by the Senate Select Committee on Small Business and the Annual Reports of that Committee from 1964 to date.

MILANO, *October 28, 1967.*

Hon. RUSSELL LONG,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington, D.C.:

Reference proposed legislation creating import quotas currently under consideration by Congress, The American Chamber of Commerce in Italy representing over 2,500 members desires to go on record strenuously opposing such discriminatory and harmful legislation. Our chamber strongly supported the Kennedy round and took specific action to induce Italian authorities to approve it before the deadline date. Proposed legislation will undo all the good accomplished. The United States image will be harmed in Italy and our trade with Italy which presently has a favorable balance will inevitably suffer. We respectfully request that you make our position known to the members of your committee.

HERMAN F. KRANTZ,
President, American Chamber of Commerce in Italy.

BUENOS AIRES, *October 27, 1967.*

Senator RUSSELL B. LONG,
Chairman of Senate Finance Committee,
U.S. Senate, Washington, D.C.:

The Chamber of Commerce of the United States of America in the Argentine Republic believes that the protectionist proposals to Congress and movements to legislate them are detrimental not only to the interests of the Argentine area where the United States traditionally enjoys a large favorable trade balance but to the commerce of the United States and to free trade principles of the entire free world. We strongly support the President's proposals at Punta Del Este as this is a way in which the private sector could do its part in accomplishing objectives of the Declaration of Punta Del Este and of the Alliance for Progress. Regards.

PAUL WALLIN,
President, U.S. Chamber of Commerce.

FIRTH CLEVELAND STEELS, INC.,
NEW YORK, N.Y.

Re Senate Finance Committee hearings on quotas.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
New Senate Office Building,
Washington, D.C.

DEAR MR. VAIL: We understand that the Senate Finance Committee will hold public hearings commencing on October 18th on various proposals to impose import quotas.

I must admit that this comes as quite a surprise because as recently as September 25th, the Commerce Department reported that the U.S. trade surplus is currently running at an annual rate of 4.7 billion dollars compared with a 3.7 billion surplus for all of 1966.

I am afraid that domestic industry is again confusing the issue between trade surplus/deficit and foreign payments surplus/deficit. It is agreed that we must expect a high payment deficit in this fiscal year because of the fantastic cost of the war in Vietnam and this coming over and above other military commitments we have throughout the free world.

As you must know, the imposition of quotas on imports would be contrary to the provisions of the recently concluded Kennedy Round negotiations in Geneva, Switzerland. I also feel that foreign trade is a two-way street and I fail to understand why there should be an attempt to reduce the cost of our military expenditures in Vietnam by imposing restrictions on imports which have proved to be a stabilizing element as far as domestic prices are concerned.

It so happens that I attended a luncheon given in honor of Her Royal Highness Princess Alexandra and one of the guest speakers was the Hon. Lewis W. Douglas, G.B.E., former United States Ambassador to Great Britain. It was pointed out that the U. S. is exporting more to Great Britain than we purchase from that country even though our population here is roughly three times that of the U.K.

I should be glad if you will consider this letter as a formal statement opposing any import quotas.

Yours respectfully,

PETER H. GARFUNKEL,
Executive Vice President.

SEAGRAM OVERSEAS SALES CO.,
New York, N.Y.

SENATE FINANCE COMMITTEE,
Senate Office Building,
Washington, D.C.
(Attention: Senator Russell Long).

GENTLEMEN: As the International Marketing Company of Joseph E. Seagram & Sons, Inc. we should like to indicate this firm's concern regarding the possibility of application of any new import quotas or tariff increases. To do so at this crucial time would completely negate whatever success was achieved with the recent Kennedy Round.

International markets represent this firm's greatest potential for future expansion. If new barriers are created, it is certain that other counries will retaliate by imposing quota limitations and special or increased local taxes, thereby virtually eliminating the possibility of any import trade with firms such as our own.

We should like to stress that the retaliation will probably not be in an increase of tariffs but in the imposition of special local taxes which are normally outside the scope of Kennedy Round type negotiations. These special taxes and quotas would no doubt be imposed on a quid-pro-quo basis.

During the last two decades a very serious and generally successful effort has been pursued by our own and many other American firms to create a favorable trade climate for our products in world markets. We feel we must very positively street our feeling that any action on the part of the Senate Finance Committee to increase import quotas and tariffs would dangerously undermine the opportunities and business so carefully created and nurtured by American industry up to this date.

Sincerely,

J. E. McDONOUGH, *Vice President.*

HUNTER TRADING CO.,
New York, N.Y.

Re Protectionist Trade Legislation—Quota Bills.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SIR: As importers of hardwood lumber, plywood, veneers and related products for use primarily by the building, furniture and boat building industries in the United States, we wish to go on record as strongly opposing all pending protectionist legislation.

First of all, our opposition is a general one, based on the necessity of freer trade amongst nations.

Our specific interest, however, is related to the fact that if this protectionist legislation is signed into law, not only our own business will be substantially harmed, but also the business of manufacturers and wholesalers with whom we have done business for many years.

Certain of our industries came into existence because of the availability of foreign lumber, veneers and plywood. The Flush Door Industry, for instance, achieved real stature only after imported Doorskins became available. Supplies of native hardwood plywood are entirely inadequate to sustain this industry and today it relies on the supply of foreign made doorskins in very substantial quantities. Without imports many, if not all, of these plants would have to curtail their production to a very large extent or even suspend their operations.

The Prefinished Hardwood Panelling Industry consists of many Prefinishing Plants which sprung up when Imported Hardwood Panelling was made available to them and today they rely very heavily in a competitve and steady flow of their panelling supply from overseas sources. Again, available supplies from domestic sources are absolutely insufficient. The low-priced prefinished panel field, for the mass markets, would be substantially eliminated if cut off from a free flow of its supplies from overseas.

Very large segments of our boat building industry and our furniture industry use foreign woods in a high proportion of their total needs since domestic woods are not available or suitable for their manufacture.

There is an acute and ever increasing shortage of hardwoods in this country. The above mentioned and many other industries which use wood products could not exist if it were not for the unhampered, continuous and competitive flow of foreign lumber, plywood and veneers. The proposed legislation could very well make many of these plants close down or decrease production. Side effects would be felt by, e.g., our building industry and ultimately consumers would suffer because of decreased supplies and higher prices.

The proposed legislation can only invoke retaliatory measures by countries with which we are now dealing who are buyers of American products, as well as suppliers to the U.S.A.

We also wish to point to the harmful effects which reduced World Trade would have on our shipping industry and all those directly or indirectly connected with it.

By espousing freer trade we not only stimulate or promote our import, export and shipping business, but also would materially contribute to the development of a freer political climate.

The proposed protectionist legislation would have a stifling effect. It could defeat what our country has been trying to promote for many years, the relaxation of trade barriers between nations.

In summation we respectfully request you to note our opposition to any legislation which would harm the free flow of our World Trade.

Your very truly,

ROBERT E. LEOPOLD, *Vice President.*

THE AUSTRIAN AMBASSADOR

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR LONG: I take the liberty of addressing myself to you personally in a matter which I consider of great importance for the relations between Austria and the United States. A great number of bills which have recently been introduced in Congress aim at restricting imports into the United States. Vital Austrian interests would be affected if these measures came into effect.

The Austrian Government has made known its deep concern in a note presented to the Under Secretary of State by the State Secretary in the Austrian Ministry of Foreign Affairs on October 16, 1967. Moreover, the United States Austrian Chamber of Commerce in New York as the spokesman for all circles interested in trade between our two countries has submitted a Memorandum to the Senate Committee on Finance in connection with the Hearings on the subject.

As this Memorandum expresses very clearly the grave consequences, both economical and political, which a revival of a restrictive trade policy would have for the international community in general and Austria in particular, I send you enclosed a copy of this paper. May I add that the Memorandum is in full accordance with the views of the Austrian Government. (*The memorandum referred to appears at p. 1166.*)

I would highly appreciate it if you could kindly give this matter your particular attention.

Very truly yours,

DR. ERNEST LEMBERGER.

STATEMENT OF EUGENE L. STEWART, COUNSEL FOR THE SERVICE TOOLS INSTITUTE

Mr. Chairman and members of the committee, I am Eugene L. Stewart, an attorney located in Washington, D.C. I appear here on behalf of the Service Tools Institute, a trade association representing manufacturers of hand tools.

The Service Tools Institute wishes to thank the Subcommittee not only for the privilege of this appearance, but more importantly for the Subcommittee's excellent surveillance of the development and administration of a Federal-wide supply system and the policies followed in the procurement of common supply items for use by the Federal establishment.

We wish to pay our respects, also, to the General Services Administration which has specific responsibility for procurement of hand tool items for use by Government agencies. As the Administrator of GSA, Lawrence B. Knott, Jr., advised this Committee last April, GSA has been energetically developing competitive specifications for hand tool items and through this effort is achieving substantial savings in the procurement of hand tools.

Our specific interest in the present hearings relates to a matter referred to by the Joint Economic Committee in its 1968 Joint Economic Report. The Committee report recognized that one of the two major factors serving to throw our payments balance into deficit is our heavy military expenditures overseas. The Minority Views in the report stated that "the added requirements of the war in Vietnam lend special urgency to finding means of reducing the foreign exchange costs of other expenditures by the U.S. Government overseas."

Apropos of this concern, the General Services Administration has already acted to reduce dollar expenditures abroad in the discharge of its procurement responsibilities. On February 12 the Administration published amendments of the Federal Procurement Regulations to set forth GSA policies and procedures with respect to procurement for use abroad and the balance of payments program.

The essence of these amendments is that in procurements for use abroad, if the domestic cost of an end product is estimated by GSA to exceed the foreign cost by not more than 50 per cent of the foreign cost, the solicitation for bids shall be restricted to United States end products.

This action was consistent with a similar step taken by the Secretary of Defense in adopting the 50 per cent benchmark as the criterion by reasonableness of costs or consistency with the public interest under the Buy American Act. Section 6 104.4 of the Armed Services Procurement Regulations as amended to carry out the Secretary's determination provides that for the purposes of evaluating foreign and domestic bids, each foreign bid shall be adjusted either by excluding any duty from the foreign bid and adding 50 per cent of the bid (exclusive of duty) to the remainder, or by adding to the foreign bid (inclusive of duty) a factor of 6 per cent of that bid, whichever results in the greater evaluated price. If the firm submitting the low acceptable domestic bid is a small business concern, or is located in a labor surplus area, or both, a factor of 12 per cent is used in lieu of the 6 per cent factor referred to above.

The major difference between the policy followed in the Defense establishment and that set forth in the General Services Administration procurement regulations as of February 12, 1968, is that in Defense procurement the 50 percent factor is applied across the board to all procurement, whether or not for use abroad. Contrariwise, in the case of the General Services Administration the 50 per cent factor is used only in connection with procurement of articles for use abroad, and, more specifically, for products to be delivered outside of the United States.

This difference has special relevance in the case of hand tools. By their nature hand tools are shelf items. Under the sensible approach of procurement of these common use items by a single agency, the General Services Administration, procurements of hand tools are commonly for delivery within the United States. Thereafter distribution to the various using Government agencies takes place, and hand tools required for use abroad are then shipped from Government warehouses.

Today it is reasonable to conclude that a substantial portion of the procurement of hand tools is either for direct use abroad, or to replenish stocks which have been depleted by shipments to fill the needs of our troops overseas. In a

very real sense, therefore, the current procurement of hand tools can reasonably be said to be "for use abroad" though the actual delivery is made inside the United States.

The basic objective of the 50 per cent rule—reducing dollar expenditures abroad and improving the Government's current balance of payments position—would be served if the General Services Administration were allowed to apply the 50 per cent rule in evaluating foreign bids on procurements of hand tools regardless of the immediate destination of deliveries called for by such procurements.

This is not merely an academic matter. One of the Institute's members has made an analysis of GSA bid openings for all types of hand tools in the member's products line during the period October 28, 1965, to February 10, 1966. The total dollar value of such procurement was $781,571. Foreign suppliers of hand tools bid on $750,000, or 96.7 per cent of this procurement. To date, 44 per cent of the dollar value of these procurements have been made the subject of contract awards. Foreign bidders received the majority of these awards. They received contracts accounting for 55 per cent of the dolhar value of these awards.

The dollar value of the procurement of certain hand tools during this 15-week period is not, of course, representative of the total hand tool procurement for Government use. In 1965, total Government procurement of hand tools was somewhat in excess of $12 million. If the success of foreign bidders during the 15-week period cited proves to be repprensentative of their success in competing for total hand tool procurement in the course of a year, the domestic industry faces the loss of some $7 million or more in business. While such a loss might conceivably be absorbed during a period in which the economy is operating close to capacity, this incursion by foreign producers into the Government market would have disturbing implications for the long term.

As a side note, it may be worth mentioning that the foreign producers have been assisted in competing for this business by a Comptroller General's ruling on bids samples. In hand tool procurement where the agency requires the submission of a sample with the bid, foreign producers are allowed to submit as their sample the particular hand tool as manufactured by a U.S. producer. The foreign bidder simply supplies an article manufactured by one of the domestic companies, for example those who are members of the Service Tools Institute, as a sample of what the foreign bidder proposes to supply if it is awarded the contract. This may strike you, as it does our members, as being unfair. The General Services Administration, however, has no choice but to permit it since the point has been squarely ruled upon by the Comptroller General in Decision B-138114 dated October 6, 1959.

I refer to the practice here not by way of complaint, but rather to illustrate the fact that bidding by foreign producers on hand tool procurement has been facilitated and they are taking advantage of the opportunities thus presented.

Our major concern here is to assist the General Services Administration in securing the necessary clearance from the Bureau of the Budget for an extension of the 50 per cent rule to hand tool procurement. With such clearance the Administration could either amend its regulations or make an administrative construction of its present regulations and determine that hand tool procurement, being substantially for use abroad, is subject to the 50 per cent test in the evaluation of foreign bids under the Buy American Act rather than merely the 6 per cent test.

Because of this Subcommittee's helpful attention to procurement policy and administration by the General Services Administration, it seemed to the Institute that this was an appropriate matter to call to your attention. In doing so we do not wish to be understood as in any way suggesting or implying criticism of the General Services Administration or of the Bureau of the Budget. As is not unusual in policy-making matters, it may be that Subcommittee's interest could serve to accelerate the resolution of the necessary forces underlying an extension of present policy to a unique area. Accordingly, we respectfully request that the Subcommittee give this matter its attention.

STATEMENT OF CARLOS SANZ DE SANTAMARIA, CHAIRMAN, INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS (CIAP)

As Chairman of the Inter-American Committee on the Alliance for Progress, I wish to express to the Chairman and the members of the Senate Finance Committee the grave concern of CIAP over proposed measures in the Congress of the United States intended to restrict imports of a wide variety of products.

My position as CIAP Chairman requires me to represent all the member countries of the Inter-American System, including the United States, in the endeavors of the Alliance. Therefore, I emphasize to you that CIAP's concern over the contemplated measures is motivated not only by a realization of the harm that they could do to Latin America's efforts to expand its export income—an expansion that is crucial to its capability for purchasing the U.S. goods and services needed to accelerate its development—but also by a conviction that they could harm the United States.

For more than three decades U.S. policy in the realm of world trade has been dedicated to the expansion of trade through the progressive liberalization of import restrictions and the maintenance of the principle of non-discrimination. The recent conclusion of the Kennedy Round of tariff negotiations has constituted a further mile-stone in that policy, even though it will not, by itself, bring any substantial benefits to the developing countries of Latin America. Nevertheless, President Johnson's words at the recent meeting of American Chiefs of State that "the process of freeing trade from unnecessary restrictions will not come to an end when the . . . Kennedy Round negotiations are complete" served to give us all new confidence that United States efforts to promote freer and more multilateral trade would not only continue but be further intensified. In the light of these pronouncements, the measures proposed to the Congress would, if adopted, constitute a radical reversal of policy, with extremely damaging effects on world trade and the international economy.

We in the Inter-American System are convinced that the advancement of economic and social development, the preservation of peace and security, and the strengthening of democratic institutions in this hemisphere hinge largely on augmenting the capacity of the Latin American countries to expand trade within this continent and with other regions of the world. The United States market is of a size and wealth that dwarfs that of any other country or region in the world. Any measures that would limit access to that market would affect the rest of the trading world disproportionately. Inability to sell would lead to unwillingness or inability to buy and could lead to a downward tail spin of international trade that would make the free world poorer rather than richer. The achievement of peace, security, and liberty would become more rather than less difficult. The price of a reversal of U.S. trade policy undoubtedly would be high and disproportionate to the short-term advantages that might accure to a few U.S. industries. Even restrictive interpretations of existing trade laws that might slightly curtail Latin American exports could produce ill effects in the area disproportionately greater than any benefit to the U.S.

It is difficult to give a specific estimate of the extent to which Latin America's external trade would be affected by the new proposals before the Congress. But there is no doubt that those on petroleum, lead, zinc, textiles, strawberries, and possibly other products would do serious direct damage to the region's export possibilities, since they would cover, as a minimum, products accounting for 31 per cent or $1.2 billion of Latin American exports to the United States in 1966.

Moreover, in recent years the United States trade balance with Latin America has been in surplus. In 1966 that surplus amounted to $289 million. In addition, the share of U.S. imports in Latin America's total import bill has risen from 41 per cent to 44 per cent over the past several years. Undoubtedly, these trends would be radically reversed, should Latin America's possibilities of selling in the United States market be restricted.

But CIAP's concern, as noted above, goes beyond the purely regional interest and extends to the broader consideration of world trading relationships that will

favor an expansion of commerce and prosperity. No single region of the world, and especially no highly developed region, can afford to adopt a purely inward looking attitude toward such matters; today the entire free world feels the repercussions of whatever happens in any of its principal components.

Finally, Mr. Chairman, I wish to emphasize to you, to your Committee and to members of the Congress as a whole that in its work of coordination of the Alliance for Progress CIAP is making special efforts to stimulate and strengthen the participation of free enterprise and the growth of free institutions in national and regional development. These efforts can be successful, however, only in dynamic expanding economies. The curtailing of trade can only have the effect of encouraging economic stagnation, rather than economic dynamism, in the Latin American region, and stagnation could only imperil the welfare of Latin America itself, the United States, and the rest of the free world.

GREATER CINCINNATI JUNIOR CHAMBER OF COMMERCE,
Cincinnati, Ohio.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN LONG: It has come to our attention that serious consideration is being given to restricting imports from foreign countries. The Cincinnati Jaycees are convinced that action of this nature would have multiple negative and detrimental effects on our balance of payments situation to which our trade surplus is a positive sustaining factor.

For many years the United States of North America has been the progenitor of free International Trade, particularly emphasized by the Kennedy Rounds of negotiation. We must consider the empirical facts of the present with one eye on the past and the other to the future. We cannot permit a few dissenting domestic contingents to force their influence apropos to the welfare of our nation.

Many of today's business leaders were and are active Jaycees. It would do well for them to review once more the Jaycee Creed to which they professed at one time; paying particular attention to the following: "That economic Justice can best be won by free men through free enterprise."

The dollar is consistently under pressure at home and abroad. The consequences (especially effected by retaliation to such a policy), in our opinion, would be insurmountable. This would widen the gap in the U.S. balance of payments incurring greater inflation risks at home and creating increased pressure for devaluation of the dollar from abroad. Whose interests would best be served? Certainly not the free world's!!!!

Sincerely,

WILLIAM R. PALMER,
Director, International Relations.

DICTAPHONE CORP.,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The attached letter was delivered to all members of the Joint Economic Committee on May 3, 1967.

Since your Senate Finance Committee is faced with tariff protection problems of various American industries, we thought this letter and attached statistics would be of concern to you. The Dictating and Recording machine field has been substantially affected by foreign competition and any assistance you can provide against this unfair competition will be appreciated.

Yours truly,

R. L. MCCONNAUGHY,
National Manager, Federal Government Sales.

DICTAPHONE,
Rye, N.Y.

Subject: Improper application of Buy American Act in Government purchasing, GSA.

JOINT ECONOMIC COMMITTEE,
New Senate Office Building,
Washington, D.C.

DEAR SIRS: On behalf of this Company and its employees, we respectfully request and urge that you take immediate steps to correct a grossly improper application of Buy American Act by the Bureau of the Budget in the case of two Government Departments, namely, General Services Administration and the Department of Defense.

We refer specifically to the dictating machine buying policy of the Department of Defense, which permits 50% differential in favor of American manufacturers, while the G.S.A. is allowed to use only 6% differential on the same items. Because of this policy, foreign bidders are obtaining awards from G.S.A. with its 6% differential which would not be possible if the procurement were made by D.O.D. In other words, the American producer gets the award if Agency A (D.O.D.) does the buying but loses it if Agency B (G.S.A.) is the purchaser for the same type program.

If the Bureau of the Budget continues this inconsistent policy, the already substantial loss of business by the domestic dictating machine industry as evidenced by the enclosed figures, will continue to increase. It is imperative to the industry and beneficial to our country's balance of payments that the G.S.A. differential in favor of American manufacturers should be 50%, the same as that of the Department of Defense. As a matter of interest, recently the G.S.A. did extend this 50% differential to overseas buying, but still applies the 6% level here in the United States, which is unreasonable and inequitable.

We would be most appreciative if you would, when you have the opportunity, point out to members of the Joint Economic Committee, the Bureau of the Budget, and the Government Operations Committee, this inconsistent policy.

Your assistance would be great appreciated.

With best regards,

LOUIS J. DUBUQUE III,
Vice President, Sales.

DICTATING MACHINE INDUSTRY, UNITED STATES—UNITS SHIPPED 1953, 1963-66

	U.S.-made machine	Foreign-made machine	Total	Foreign as percent of total
1966	[1] 130,000	[1] 100,000	230,000	43.5
1965	[1] 125,000	81,727	206,727	39.5
1964	121,723	68,851	190,574	36.1
1963	130,147	43,768	173,915	25.2
1953	99,099	....	99,099	0

[1] Estimate.

Source: "U.S.-Made Machines, Series M35R," Department of Commerce reports on office computing and accounting machines; "Foreign-Made Machines," Department of Commerce, FT125 and "Journal of Import" bulletin data.

UNITED STATES AUSTRIAN CHAMBER OF COMMERCE, INC., SUBMITTED BY E. A. ROTT, EXECUTIVE SECRETARY

MEMORANDUM ON PROTECTIONISM AND INTERNATIONAL TRADE

The successful conclusion of the Kennedy-Round which came about only few months ago after long years of hard bargaining was hailed by the leaders of all participating countries as a significant achievement in the field of international trade. In the final phase when negotiations seemed on the brink of failure all partners had to make great efforts setting aside selfish interests for the sake of a greater common goal, namely a further step in the direction of a more liberal world trade.

The willingness on the part of all countries concerned to make the necessary sacrifices gave reason to hope that a new phase of closer economic cooperation in the interest of a further expansion of world trade was about to be initiated.

Due credit was given to the United States for their role in this round of negotiations. The late President Kennedy had taken the initiative which found strong support particularly on the part of the American Trade Unions, and Congress gave him the negotiating authority by adopting the Trade Expansion Act of 1962. Now, only five years later, a campaign is being conducted in the United States aiming at a frustration of the promising results of all these efforts. The increasing flood of protectionist bills that are being introduced in Congress is therefore not only a matter of grave concern but also of consternation for all the other countries which have placed high hopes in the leadership of the United States toward a freer world trade.

Trade is not a one-way street. Experience has shown that protectionist measures taken by one trading partner have seldom failed to provoke strong retaliatory measures on the part of the other countries. There is no reason to believe that such a highly regrettable process would not be precipitated this time if the proposed measures which do not aim only at the protection of one branch of the economy or the other but at an all-out protectionist trade policy would come into effect.

What could be gained by such a conflict? Perhaps a certain profit for certain limited groups over a limited period of time. *But in the long run there can be only losers, no winners.*

The following considerations will prove this point:

(1) Economic considerations

In the course of the past years both American importers and American exporters have profited from the considerable increase in American foreign trade.

In 1960 U.S. exports amounted to over 20 billion $, in 1966 they rose to over 30 billion $.

Imports into the United States totalled about 15 billion $ in 1960, and over 25 billion $ in 1966. Hence, both exports and imports have shown an almost identical increase of about 10 billion $ over this period.

The most characteristic aspect of US foreign trade is the structural surplus in the balance of trade in favor of the United States. This is true not only for the overall pattern of US trade, but also for US trade with Western Europe and with Austria in particular.

So f.i. in 1966 Austrian exports to the US amounted to 77 million $, Austrian imports from the US to 101 million $: the surplus in the balance of trade was 24 million $ in favor of the United States. In other words Austria buys by about 25 per cent more merchandise in the United States than she sells on the US market. The cited example is by no means an exception: similar trade balances are characteristic of the preceding years.

US imports from the countries of the European Economic Community (Common Market) and the European Free Trade Association (EFTA) combined amounted to 7,1 billion $ in 1966, US exports to these two trading groups to 9,5 billion $. The surplus in the balance of trade was 2,4 billion $ in favor of the United States.

One can easily foresee that a curtailment of imports on the part of the United States that will in all probability provoke similar measures on the part of the trading partners will *eventually affect the interests of American exporters to a much greater degree than those of foreign importers.*

There is another important aspect of the problem: in view of the considerable share of US exports and imports in world trade any significant restriction of US imports will inevitably affect the earning power of many countries so that they in turn will be compelled to limit their imports. Furthermore, while the American economy as a whole depends only to relatively limited degree on international trade, *the international exchange of goods is of vital importance for the economics of the smaller industrialized countries.* About 25 to 30 per cent of the Austrian production goes into export. Any sizeable reduction in exports must therefore have strong repercussions both economically and socially.

(2) Social considerations

One of the immediate effects of protectionist curbs on imports is the restriction or complete elimination of foreign competition. Thus the advantages of an international division of labor cannot be enjoyed any longer. One result is a

rise in prices which will eventually have to be borne by the consumer. *Protectionism is therefore also detrimental to consumer interests.*

One of the reasons frequently given for protectionist measures is the necessity of protecting jobs in industries which would otherwise succumb to foreign competition. This argument can be a justification only in special cases, as f.i. with regard to new industries in their initial phase, particularly in developing countries. But it can hardly be invoked in the case of the most highly developed industrial nation with the highest productivity in the world.

However, those who advocate such measures for the reason mentioned above should not overlook the fact that not only those in the United States who are directly profiting from imports like like importers, banks, shipping interests, port authorities, longshoremen etc. would suffer from a curtailment of imports; protectionism as has been demonstrated above would also seriously impair the exports of the United States which in turn would mean *the loss of numerous jobs in export-oriented branches of the economy.* All these developments must ultimately have their effect on the economy as a whole and may lead right into an economic depression. *The hey-day of protectionism in the Thirties is connected with the dire memories of the most serious economic depression and the highest rate of unemployment in history.*

Austria can be cited as a striking example. Lack of confidence in the economic viability of this small country, lack of meaningful international cooperation as a result of economic egoism, repercussions of the general economic crisis, all this led to a desperate situation for which the rate of unemployment was perhaps the most symptomatic: 600.000 unemployed in a population of not even seven million! This was not the least among the reasons for the collapse of the First Austrian Republic in 1938.

(3) Political considerations

After the Second World War, when the economy of most of the European countries literally lay in ruins, the United States took a most remarkable initiative: the Marshall-Plan. This ingenious plan not only offered the most generous financial aid supplied by the American tax-payer, it also tied this aid to the requirement that the European countries help themselves on the basis of close economic cooperation.

The progressing abolition of trade barriers among the European countries in the framework of the Organization for European Economic Cooperation was viewed by many European protectionists, among them many Austrians, as a road leading to certain disaster.

The positive results surpassed the expectations of even the greatest optimists: in the course of a few years the European economy not only recovered from the damages inflicted during the war years, it flourished to such an extent that the expression "economic miracle" was coined for some of these European countries, including Austria. Austria today is no longer the "sick man" in Central Europe as it was in the period between the Wars: Austrians are enjoying now an economic prosperity and social and political stability unsurpassed in her history.

This most fortunate state of affairs which is one of the results of the Marshall-Plan has convinced Austrians in particular and Europeans in general that *Americans have taught the Europeans a most profitable lesson in liberal trade policy.* From a political point of view it can be said without exaggeration that the outcome of the Marshall Plan was one of the most outstanding achievements of American foreign policy in the post-war period.

Austrian leaders and the Austrian population are still grateful for the Marshall-Plan aid, and this gratitude is a firm basis for the friendly feelings Austrians have for the United States. However, in view of historic experiences, they are keenly aware of the vital importance of economic and social stability in Austria and in Europe. Any strong setback in the economic development that could f.i. be caused by strong restrictions of export opportunities could seriously endanger this stability which could have especially grave consequences on account of Austria's particular situation on the border line between East and West. *The spirit of the Marshall-Plan should not be abandoned.*

Another aspect should be taken into consideration: as a result of the impressive economic progress made by the Western European countries in the past twenty years they are in a position now to assume a growing share of the burden of economic aid to developing countries. Austria f.i. is approaching the goal of one per cent of her GNP set for the UN Development Decade. In proportion to GNP Austria is already giving more in development aid than the United States.

In case the Austrian economy would be weakened by a loss of export markets as a result of a resurgence of large-scale protectionism it is safe to predict that *development aid is one of the items in the budget that would have to be adjusted accordingly.* The same is true for other European countries.

Conclusion

On the basis of all these considerations it can be said that the protectionist measures envisaged by certain groups would be harmful both from the point of view of internal and foreign policies. The protection of certain group interests would by no means justify the damage that would be done to a much wider range of interests in the United States and abroad.

HORROCKS-IBBOTSON CO.,
Utica, N.Y.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR: As one who has been active in the importing and exporting business for a great many years, I feel that the passage of a bill to impose import quotas would be a serious blow to American commerce with the whole world and would affect both our export business and our import business and our domestic trade to an extent greater than anybody can imagine.

I urge that this import quota system be defeated.

Yours very truly,

R. H. BALCH, Sr.,
Chairman of the Board.

NEW YORK, N.Y.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee, Washington, D.C.:
Washington, D.C.:

Based on over 30 years experience in highly competitive international business I strongly urge that restrictive import quotas not be imposed. Such quotas are contradictory to the U.S. efforts in the Kennedy Round and are barriers which hinder free trade and which can ultimately harm the U.S. in that retaliatory measures will likely result with a concomitant reduction in U.S. exports. If U.S. business is to maintain its leadership in the world it must keep strong and innovative due in large part to competitive pressures—overprotection can only weaken us in the long run.

COMBUSTION ENGINEERING, INC.,
T. A. DYKE.

FOREIGN TRADERS ASSOCIATION OF PHILADELPHIA, INC.,
Philadelphia, Pa.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR LONG: The now discussed import quotas reflect protectionist trends in some sectors of our business community and in Congress. They endanger substantial business opportunities created by the successful Kennedy Round negotiations. They also threaten to compromise nationwide efforts to promote additional exports in order to improve our critical balance of payments, to maintain our share in the international exchange of goods and services as well as to support our export surplus, the highest in the world. It is certain that the proposed import restrictions will provoke retaliatory measures in countries buying from us.

At our regular monthly meeting, held on Thursday, October 19, 1967, this Association comprised of over 500 members, representatives of virtually every important Delaware Valley company engaged in international business, after consideration of the foregoing, proposed and unanimously passed the following resolution:

1. That the Foreign Traders Association appeal to Congressional as well as business leaders to protect the achievements of the Kennedy Round and oppose any new import restrictions without a preliminary thorough study of their impact upon our current exports and the future of our balance of payments.

2. That the Foreign Traders Association believes that important issues of world commerce cannot and should not be solved by riders added to other legislative documents such as the Social Security Bill.

We urge you to do what you can in order to accomplish the objectives of this resolution.

Sincerely yours,

EDWARD H. MCDERMOTT,
President.

TATHAM-LAIRD & KUDNER, INC.,
New York, N.Y.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: As an American who believes that world peace and security for the future rest on a firm foundation of international trade, I urge you to exert every effort against the possible passage of bills to impose import quotas.

Sincerely,

COLLINGWOOD J. HARRIS.

LONDON.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

American Chamber of Commerce (United Kingdom), representing over 2,000 U.S. subsidiary and local companies vitally interested in two-way Anglo/American trade, expresses deep concern over supposed protectionist legislation in U.S.A. to impose import quotas on wide range of products. This chamber protests strongly against such measures as being entirely contrary to principles of U.S. Trade Expansion Act and Kennedy Round trade liberalization program which we vigorously supported. The proposed legislation appears extremely detrimental to both U.S. and international trade and would provoke retaliatory action by other trading nations. Consequent adverse effect on U.S.

Exports of several billion dollars annually would further deteriorate U.S. balance-of-payments position. If restricted measure of kind proposed are taken by United States as world greatest trading nation it can only have most serious and damaging cumulative effect unilaterally and collectively. We respectfully address this protest to you as chairman of the Senate Finance Committee and ask that you make our position known to the members of your committee.

DON STUART, *President.*

ZURICH.

Hon. Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

The American Chamber of Commerce in Switzerland condemns current protectionist legislation before Congress which if passed would severely inhibit growth free world trade, arouse immediate retaliation against American exports and create unfavorable attitude toward American investments.

HENRY KLINGMAN, *President.*

ARLINGTON, VA.

Senator RUSSELL LONG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: Although I am not a constituent of yours I do read the paper thoroughly. You are chairman of the Senate Finance Committee and a supposedly responsible member of the Senate, at least I have always thought so.

This growing trend of "Isolationism" among the more responsible members of the Senate is very alarming to me. Cuts in foreign aid, curbs on foreign imports are particularly signs of it at a time when our prestige is sinking to lowest of all time. Retaliation from other countries can help set the stage for world wide depression and put us over the brink and into third world war, along with cutting our aid to needy countries.

Since I have written to you particularly on Import curbs I'd like to also ask you to help do something about closing tax loopholes particularly on gas and oil Industries. Certainly no tax increase or cuts in present necessary programs would have to be enacted if these tax loopholes were closed. I am a small tax payer but I have never resented paying my just taxes. I do resent paying unnecessary taxes when Industries can get by with these tax dodges and untaxed junk mail fills my mail box.

Thank you, I don't expect a reply, only action, responsible action from the Senate.

Sincerely yours,

ELIZABETH HOUSE.

NATIONAL BUSINESSMEN'S COUNCIL,
New York, N.Y.

Hon. RUSSELL LONG.
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: This is to go on record that the National Businessmen's Council strongly and unequivocally opposes the imposition of import quotas that have been submitted to your committee for consideration.

The United States has a vital interest in the expansion of trade. Following the Kennedy Round, our efforts should be addressed to the elimination of non-tariff barriers throughout the world. The imposition of import quotas would be most untimely and unwise in relation to our essential objectives.

The business community must have confidence in the future course of our trade policy. We deplore any protectionist steps and urge that your committee use its power to reverse any moves in that direction. Indeed, we hope that you will ally yourself with the overwhelming interest of the business community in promoting the elimination of barriers to expanded commerce.

Sincerely yours,

EUGENE M. LANG, *Chairman.*

ROCHESTER, N.Y.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
Senate Office Building, Washington, D.C.:

Rochester-Monroe County court authority is strongly opposed to import quota bills now being considered. Enactment of these bills would result in punitive restrictions against U.S. export sales and bring serious description if not strangulation of the foreign trade. We respectfully urge your opposition to these measures.

ARNOLD B. MORRISON, *Chairman.*

SAN FRANCISCO.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: We would not favor, at this time, the proposed rider to the social security bill which would impose import quotas on specified items. The proliferation of non-tariff barriers would most likely spur retaliation by other countries and could injure total U.S. trade. We feel that more time is needed to assess the results of the recent GATT agreements and that no legislation to either liberalize or protect trade should be enacted now. This is necessary to insure that the best interests of the U.S. are served in the area of international commerce.

This wire has also been sent to Senator Dirksen.

J. E. COUNTRYMAN, *President.*
DEL MONTE CORP.

NEW YORK, NY.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

As export managers for 45 U.S. manufacturers, we protect vehemently against proposed imposition of import quotas which would invite harmful retaliatory

measures against U.S. exports vital to U.S. prosperity and balance of payment maintenance. Also completely violates principle of Kennedy Round.

W. BRASEAU, *President.*
AMERICAN STEEL EXPORT CO., INC.

AKRON, OHIO.

Hon. RUSSELL LONG,
U.S. Senate,
Washington, D.C.

DEAR MR. LONG: Economists and foreign trade experts, with proper encouragement, can expound for days on the inter-relationship between imports and exports and the effects of both affirmative and negative reciprocity.

However, I don't believe all their words could paint as vivid a picture of international reciprocity as an incident which I witnessed several years ago in Hong Kong.

At that time, Norway embargoed the importation of cotton textiles from Hong Kong. The following day, as retaliation, Hong Kong prohibited the loading or unloading of Norwegian F'ag Ships.

So long as our exports exceed our imports, we have more to lose from trade restrictions than we have to gain.

Very truly yours,

L. R. SCHOTT.

THE BANK OF CALIFORNIA,
San Francisco, Calif.

Hon. RUSSELL LONG,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR: In the context of the proven validity of this country's foreign trade policy of working toward the removal of restrictions on the exchange of goods among nations which has contributed so substantially during the post-war period to economic growth here and abroad, it is unfortunate to note the present trend to protectionism in the Congress as exemplified by the several import quota bills under consideration.

Enactment of such bills in repudiation of our Kennedy Round commitments would most assuredly result in retaliation by other countries and destroy much of the progress we have made. It would indeed be short-sighted interms of the national interest to attempt to solve our payments problem through such import curbs resulting in a world ade war. On the contrary, our payments efforts should be positive and directed at increasing our exports while maintaining others' ability to buy these exports, thus continuing world economic growth. We urgently enlist your best efforts in defeating these barriers to trade expansion and economic growth.

Very sincerely,

ROBERT H. BOLMAN,
Senior Vice President.

NEW YORK, N.Y.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

As a major division of a large trade association with a principal interest in the metal field and a large stake in the continued health of all segments of the U.S.A. economy, we wish to express our objection to restrictive measures on imports currently under your consideration. In particular, quotas on lead, zinc, and steel on the following grounds:

First, they are contrary to the expressed views of the Congress and the administration, both of which strongly endorsed the Kennedy Round tariff reduction negotiations, and the long standing enunciated goals of the U.S. for freer international trade.

Secondly, their implementation would further aggravate our already serious balance of payments position and nullify much of the progress resulting from the Kennedy Round negotiations.

Thirdly, at a time when both Congress and the administration appear seriously concerned with the threat of inflation they would probably tend to artificially hold up if not raise prices of the basic commodities concerned.

We, therefore, strongly recommend rejection of all import quota measures.

FOREIGN TRADE DIVISION,
NATIONAL ASSN. OF SECONDARY MATERIAL INDUSTRIES.

MILWAUKEE, WIS.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

Port of Milwaukee joins American Association of Port Authorities and all others interested in a balanced and healthy world trade situation, in urging your committee and U.S. Senate to reject the many demands for import quotas on a wide variety of import commodities. Import quotas may hurt American consumers by boosting prices and foreign countries may enact reprisals against American exports to them. Our economy, at boom levels not seriously affected by imports, which represent tiny fraction of domestic output prohibitive tariffs and import quotas could defeat entire Kennedy Round program. World trend is to freer trade, lower tariffs, and facilitation rather than obstruction of foreign trade. Isolationist attitudes and policies could do great damage to entire foreign policy of our Nation. Foreign nations and peoples cannot buy American goods unless they can also reach world-markets including United States. The St. Lawrence Seaway is of paramount interest to Great Lakes region and Port of Milwaukee, and obviously needs balanced trade flow, including imports to sustain shipping services and American ports. Urge most careful consideration before committing Senate to unwise import quotas, which unquestionably would have detrimental far-reaching effects.

H. C. BROCKEL,
Municipal Port Director, Port of Milwaukee.

CRYSTAL LAKE, ILL.

Hon. Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

Sir: Please register our disapproval of proposed legislation to restrict imports stop such legislation undermines successful Kennedy Round negotiations, negates many years of progress for the United States in international trade, and injures the American Economy at industrial and consumer levels.

OAK ELECTROXNETICS CORP.,
E. A. CARTER,
Chairman and President.

STATEMENT SUBMITTED BY MRS. ROBERT J. STUART, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, IN OPPOSITION TO IMPORT QUOTA LEGISLATION

The League of Women Voters wishes to express its strong opposition to protectionist legislation such as the import quota bills before this Committee. We are convinced that imposition of such restrictions would seriously damage the international trade patterns which the United States and other industrialized nations have for so many years worked to develop. Rather than helping to strengthen the U.S. economy, these measures in our judgment would only to serve to weaken it.

The League's biennial national Convention in 1966 once again reaffirmed our long-standing position in support of "U.S. policies to promote world trade while maintaining a sound U.S. economy." Our trade position goes back to the early twenties when the League undertook two studies which clearly underlined the close relationship between U.S. domestic and foreign policies. A League study of the post-World War I cost of living showed that high tariffs on imported goods added to consumer costs, reduced opportunities for competition in the market place, and gave domestic producers and merchants the chance to profiteer. Another League study on the economic causes of war lead to a clear understanding that economic rivalry for markets and restrictive trade practices cause frictions among nations and often lead to conflict.

The League's early recognition of the importance of maintaining good trade relations with the rest of the world was later substantiated by the turn of events. The depression of the thirties, deepened by the high tariff walls erected around the United States by the 1930 Smoot-Hawley Tariff Act, was a clear demonstration that economic conditions both here and abroad deteriorate when foreign countries lose a large part of their U.S. market. Ever since 1936, League members have periodically re-examined U.S. trade policies and practices. We have persistently worked on behalf of the liberalization of U.S. trade policies and in opposition to restrictive trade practices such as quotas. It is our firm conviction that the impressive economic growth rates and improved living standards achieved by the industrial nations since the end of World War II have been due in large measure to the elimination of artificial trade barriers which stop the flow of goods and interfere with economic development.

The League does recognize that some industries or workers from time to time do suffer injury which can be attributed to tariff reductions. For this reason the League would like to see adjustment assistance brought into greater play. We hope this technique can be perfected so that it can be an effective means of assisting workers and industries to adjust to economic change. When the appropriate legislation is introduced, we will urge Congress to make this possible.

It would be disastrous, however, for the United States to abandon the leadership role which this country has had for over 30 years in expanding world trade through trade liberalization. The Kennedy Round's successful conclusion promises new horizons for trade expansion. But if the Kennedy Round is now undone, even before the agreements go into effect, a broad range of key American industries will stand to lose their anticipated expansion of overseas sales. Although the impact on American exporters is only one of the many unfortunate effects which can result from U.S. trade restrictive moves, it is one of the most predictable and important effects. For there can be little doubt that the six European Common Market countries, Japan, and others of our major trading partners will counteract with equivalent restrictions to our restrictions, as they are indeed entitled to do under the international rules of trade. One can only hope that this country has firmly learned its lesson from the Smoot-Hawley experience as to the snowballing effects which protectionist policies can have. If we have not learned from history, we may well find ourselves in the thick of an old-fashioned trade war—triggered by our own shortsighted moves.

In closing, we would like to reiterate our opposition to import quota legislation which would obstruct the continued expansion of world trade and lead to a resurgence of protectionism.

Memorandum of Baldwin-Lima-Hamilton Corporation, Submitted by Andrew Liston, Vice President and General Manager, Industrial Equipment Division

During 1962, Federal awards of hydraulic turbine contracts to foreign producers were 80 per cent of the total measured by dollar value and over 90 per cent measured by horsepower rating of the equipment.

While American manufacturers have normally had some competition from European manufacturers that was heightened by reduction of tariffs and other protection, the situation of the industry has seriously deteriorated with the recent entry of Japanese manufacturers into the American market. The first Japanese import in 1959 was for a small project in Sitka, Alaska. Imports grew rapidly. In 1962, one Federal agency, the Bureau of Reclamation, purchased all the hydraulic turbines for its four projects—Fontenelle, Yellowtail, San Luis, and Blue Mesa—from Japanese manufacturers.

The American hydraulic turbine industry is a small, little-known industry that has played a vital part in the development and maintenance of the hydroelectric power supply in the United States, as well as other parts of the world. Because the industry and its problems are not widely know, this memorandum contains an outline of its background as well as a statement of its current problems with respect to increased imports and recent tariff reductions.

The Nature of the Product and the Industry

The physical features of hydraulic turbines comprise an unusual combination not even closely duplicated in any other type of equipment.

1. Hydraulic turbines are a highly engineered product. They are specifically designed and constructed for particular installations. They are thus custom built, tailor made. They are not mass produced. Many hours of laboratory research and testing and engineering time are required for their design, manufacture and construction.

2. Hydraulic turbines are considerably larger in size than most industrial products. Large hydraulic turbines require parts that in some instances measures in excess of 65 feet across and 25 feet in height which have to be accommodated and machined in the manufacturer's plant. The largest machine tools in existence in the United States are required for these purposes including, for example, boring mills up to 42 feet in diameter.

3. The horsepower capacity of modern hydraulic turbines is generally measured in six figures. At the present time, the highest horsepower capacities of hydraulic turbines presently in operation or under contract in the Western Hemisphere are as follows:

Kaplan Turbines: 212,400 h.p. at Little Goose, Lower Monumental, and John Day Dam, U.S.A.
Francis Turbines: 210,000 h.p. at Robert B. Moses Power Station, U.S.A.
Impulse Wheels: 150,000 h.p. at Kemano, British Columbia, Canada.
Pump-Turbine: 345,000 h.p. at Cornwall Project, U.S.A.

4. It takes many months to design and manufacture a hydraulic turbine. The largest sizes of turbines take from 22 to 28 months to build.

5. Hydraulic turbines must be constructed to withstand tremendous physical punishment for many years of continuous operation. Hydraulic turbines are designed and constructed to last 50 or more years.

These unique features of hydraulic turbines necessarily have created at the same time a unique industry with producers that must have the engineering staff, skilled manpower, research laboratories, tools and plant facilities to design, produce, repair, and maintain such equipment. The special features of such manufacturers are described below:

1. In order to design and produce hydraulic turbines, each company has assembled and has trained over the years a staff of competent engineers. It takes several years of supervision, training, and experience before a graduate engineer can produce satisfactory preliminary design data, design calculation, and specifications. It is an accepted conclusion within the industry that it takes many more years of experience in hydraulic turbine manufacture and design for an engineer to qualify as a supervisor of hydraulic turbine design. Because hydraulic turbines and related equipment are tailor made to suit the requirements of specific power sites, it is necessary that design, sales, and service engineers acquire many years of training and experience to achieve competence. It follows too, because of the highly specialized nature of this type of equipment, that engineers cannot be obtained from other industries as it takes several years to train them.

2. As an adjunct of their engineering department, the manufacturers must maintain extensive laboratory facilities devoted to the solving of specific problems and to continue development and research. Laboratory tests of scale models are often required to establish contract performance guarantees. These laboratories involve an investment of several million dollars on the part of the manufacturers as well as continuing operating expenditures which accrue to the benefit of hydraulic turbine users of which the Federal Government is a principal user. These highly specialized laboratories are useful only to the hydraulic turbine industry and its customers and would be worthless without sales of hydraulic turbines.

3. Each company in the industry has spent millions of dollars through the years in the purchase of many varied machine tools which are required in the manufacture of hydraulic turbines. As already noted, these tools are of an unusually large size because of the unusually large dimensions of hydraulic turbines. These tools have their economic value to the individual manufacturers only because of sales of hydraulic turbines. Thus, as in the case of the specialized laboratory facilities, during peacetime these tools are only of value in the manufacture of hydraulic turbines. However, these same tools are required for defense production and for the manufacture of replacement parts and the repair of hydraulic turbines in the event of bombing, sabotage, or failure of these power producers.

4. Like other manufacturers of capital equipment, American hydraulic turbine manufacturers have and do spend considerable sums of money in plant facilities

and buildings. Furthermore, and more important, however, is the fact that manufacturing facilities of the American hydraulic turbine manufacturing industry need to be and are especially large. The individual parts, the completed turbines, and the related equipment are large, bulky, and heavy. The machining, handling, and assembly of these parts and the manufacture of replacements require oversized plant dimensions; floor area, width and length of plant, and interior heights. For the same reasons these plant facilities contain a considerable number of heavy-duty cranes. Typical dimensions found in these plants are as follows:

Length: Up to 1260 feet.
Width: Up to 816 feet.
Height: Up to 72.5 feet.

These plants include 247 cranes which may be grouped in the following lifting-capacity classifications:

Lifting capacity	*Number*
10 ton or less	103
15 ton through 40 ton	95
50 ton through 80 ton	39
100 ton through 150 ton	10
Total	247

Several photographs are included in this presentation which illustrate some of the unique features of hydraulic turbines and of the tools and facilities in the plants of American manufacturers which are required to design and build hydraulic turbines and to repair and manufacture replacement parts for such equipment.

(The photographs referred to were made a part of the official files of the Committee.)

THE PROBLEM

The hydraulic turbine industry has been a small industry furnishing equipment essential to the development of the country's water power resources. It has provided stable employment for its employees and has provided the elephant tools necessary to the defense effort.

In the past ten years, the hydraulic turbine industry has run into ever-increasing foreign competition that now threatens it with extinction. Economic aid by the United States to foreign countries virtually eliminated the industry from foreign markets. More recently, the reduction of tariffs and other protection has brought in foreign manufacturers in alarming numbers. The effect of further Gatt reductions is unfathomable.

Some of the problems contributing to the present status of the industry are outlined herein as background for this petition.

A. Competitive Disadvantages

American manufacturers face an impossible situation with reference to import competition. In order to maintain their manpower, tools and facilities in the United States, the American manufacturers must produce and sell equipment made in their own plants and made of components processed in their own plants. But, in doing so, they are manufacturing in an economy where wages are three to seven times those paid elsewhere in the world (see Appendix I). It should also be noted that it takes as many man-hours to build hydraulic turbines in other countries as it does in the United States. Hydraulic turbines are custom-built items—they cannot be mass-produced.

Accordingly, it is not surprising that foreign firms can underbid American manufacturers by 50 per cent or more whenever they wish to do so, as they have demonstrated. American manufacturers operating in an economy with high wage levels and costly fringe benefits, cannot compete with foreign manufacturers whose wages are low and whose fringe benefits, while high in proportion to wages, are nevertheless low when compared to American cost. Therefore, even the existing tariff protection is completely inadequate.

Since the early 1950's, following cutting of tariff protection in half and removal in 1954, by Executive Order 10582, of almost all of the protection afforded by the Buy American Act, the importation of hydraulic turbines from foreign sources has steadily increased, and such importation has for some time threatened to cause and has already caused serious injury to firms in the industry and to unemployment of workers in the industry.

B. History of Foreign Imports

The lead in the importation of turbines was taken by various governmental agencies. The volume of Federal purchases has rapidly risen since 1959. From 1952 to 1958, a period reviewed by the Office of Civilian Defense Mobilization in 1959, the procurement of hydraulic turbines by agencies of the Federal government constituted about 8% of the total; but during the period from 1959 to the present date more than half of the hydraulic turbine purchases of the Federal government have been imports.

It is noted, however, that under a directive of the Department of Defense in July, 1962, the U.S. Army Corps of Engineers' purchases have been and are now being made from American manufacturers. The aforementioned directive was issued to relieve the strain on our balance of payments. Under this directive, contracts for hydraulic turbines amounting to more than $9¼ million were awarded to American manufacturers in very late 1962 and 1963 by the U.S. Army Corps of Engineers.

Despite the fact that the Department of Defense took measures to restrict purchases from foreign sources in order to improve the balance of trade payments and stem the flow of gold from the country, the Department of the Interior has failed to take similar action, interpreting Executive Order 10582 in a manner directly opposite to the Department of Defense. As a result, during the same period, the Bureau of Reclamation, Department of the Interior, purchased hydraulic turbines from foreign sources to the extent of more than $7 million. The failure of the Bureau of Reclamation to follow the same interpretation of Executive Order 10582 of the Buy American Act practically nullifies the efforts of the Department of Defense to stem our dollar outflow in the area of hydraulic turbine purchases. Such action in an industry which has international importance does not contribute to the problem of balancing our international accounts quickly and in an orderly fashion. The current bidding on the Morrow Point Project of the Bureau of Reclamation illustrates the impossible competitive situation in which American manufacturers find themselves. The lowest Japanese bid is less than half of the lowest American bid (see Appendix II).

Non-Federal governmental agencies followed the lead of the Federal government in making purchases abroad. These importations assumed such proportions that in the period 1959 to the present, 45% of hydro equipment purchased by such agencies has been from foreign sources.

In the past 25 years, mammoth projects for the development of water power have been undertaken very largely by government agencies with the result that Federal and non-Federal government agencies account for more than half of the hydraulic turbine purchases in this country. The reduction of tariffs and removal of Buy American protection have combined to cause the loss to American manufacturers of a very critical portion of the industry's business.

Most recently private, investor-owned utilities have indicated that the price differential between foreign and domestic turbines is becoming irresistible. The recent tariff reductions can be reasonably expected to further stimulate this attitude.

C. Loss of Exports

American manufacturers were almost completely forced out of the export field as far back as the early 1950's. Foreign competitors have an insurmountable advantage in the world market because of labor rates which are extremely low when compared to American labor rates. American exports now are almost exclusively confined to those instances where Federal government financing requires the purchase of equipment built in the United States. Increased imports have already caused and threaten further to cause serious injury to American hydraulic turbine manufacturers, and unemployment to American employees.

THE CONSEQUENCES

A. Loss of Domestic Facilities

Continuation of the trend toward importation of hydraulic turbine components by American purchasers can only lead to the ultimate death of the industry. Since 1959, production facilities devoted to the manufacture of hydraulic turbines has been substantially reduced. In February 1959, the S. Morgan Smith Company of York, Penn., became the York Works of Allis-Chalmers Manufacturing Company. All hydraulic turbine design and manufacture that had been heretofore carried on at the West Allis Works of Allis-Chalmers was relocated

at York. The result is that the York Works of Allis-Chalmers now constitutes the Company's entire hydraulic turbine operation.

In March 1963, Baldwin-Lima-Hamilton announced the closing of the Pelton Division in San Francisco.

In both instances, machine tools and other equipment have been idled and eliminated from the manufacture of hydraulic turbines.

B. Resultant Unemployment

Importation of hydraulic turbines has contributed substantially to unemployment in the industry. At the Allis-Chalmers Manufacturing Company alone there has been a very substantial reduction in the number of employees engaged in the production of hydraulic turbines. In January 1955, for example, the S. Morgan Smith Company had 1197 employees. As of January 1964, the York Works of Allis-Chalmers has 940 employees. Not only has there been a reduction of some 250 employees at York, there has also been the elimination of some 450 employees who were previously employed by Allis-Chalmers in hydraulic turbine manufacture at West Allis, Wisconsin.

Approximately 800 jobs were lost when Baldwin-Lima-Hamilton closed it Pelton Division. In addition, there has been a substantial number of employees laid off at the Eddystone Plant of Baldwin-Lima-Hamilton, at Newport News Shipbuilding and Drydock Company, and the James Leffel Company in Springfield, Ohio.

In 1962, the Bureau of Reclamation placed all of its hydraulic turbine contracts with Japanese manufacturers. If we examine the effects on domestic employment in the hydraulic turbine industry, we find that 620,000 man-hours were lost to the employees of the industry and its suppliers. While this number may not be large in the total national figures, it is important to the people concerned.

C. Secondary Injury

Not only are jobs of industry employees jeopardized but also those of material suppliers. A number of suppliers of hydraulic turbine components, the largest of which is the General Steel Casting Company which closed its Eddystone plant in 1963, have been forced out of business. The importation of hydraulic turbines and components has caused unemployment not only among component suppliers but among suppliers of raw materials such as steel.

ECONOMIC FACTORS OF THE INDUSTRY

Just as the industry is unique in its product, its producers, and in the industry's view, its contribution to national security and defense, so also it is unique in its economic characteristics. As far as we know, the eccentric nature of the combination of economic factors that make up the economy of this industry has no parallel in any other industry.

1. The amount of hydraulic turbine business available in the United States is relatively small. Over the last fifteen years, the industry's total domestic bookings have averaged less than $27 million per year. Loss of contracts to foreign manufacturers shrinks further this slight economic foundation.

2. Bookings for hydraulic turbines fluctuate widely from year to year.

3. The dollar value of each contract is large. Single contracts range up to $20,000,000. A large portion of the contracts are in the $1,000,000 to $3,000,000 range.

4. Under these circumstances each individual contract is of importance to the economic outlook of the hydraulic turbine production of each company and of hydraulic turbine building in the United States as well. The value of one contract may be equivalent to 40 per cent or more of the average annual bookings of the entire American hydraulic turbine manufacturing industry. In recent years some American firms have failed to book even one hydraulic turbine during a year.

5. Labor content in the design and manufacture of hydraulic turbines is high. Hundreds of thousands of man-hours of employment may be involved in a single contract.

6. Each hydraulic turbine manufacturer over the years has invested millions of dollars in the training of skilled personnel in the construction and equipping of factories and laboratories and in the acquisition and replacement of tools and machinery. The ratio of investment in capital equipment, tools, facilities, and manpower training to industry sales is among the highest of American

industries. These investments are essential, however, to the design, manufacture, and repair of hydraulic turbines.

7. The skilled manpower, the tools, and the facilities in the hydraulic turbine manufacturing industry are highly specialized. The manufacturers continually attempt to find other business to pay for these daily operating costs and to sustain the large capital investment. However, it is the sales of hydraulic turbines which support this manpower, tools, and facilities. Without such sales, the specialized features which make up this industry will vanish.

8. Each year, American hydraulic turbine manufacturers individually spend considerable sums of money and man-hours in rendering engineering and consulting services to the Federal Government and other purchasers of hydraulic turbines for which no compensation is received. This work is as much a necessary part of the hydraulic turbine business as manpower and tools. It aids the purchaser in the proper design, operation, and maintenance of hydro-electric installations and in the preparation of useful and adequate specifications for hydraulic turbines. These engineering and consulting services are costly for the manufacturer, money and time wise. In one year, they may be equivalent to as much as five or ten per cent of total dollar sales of hydraulic turbines for the individual company. The consulting service will no longer be available if the industry is destroyed.

9. An additional cost item which the American hydraulic turbine manufacturer assumes is the storage of design drawings and patterns for the hydraulic turbines which he has sold over the years. These design drawings and patterns are essential to the repair and manufacture of replacement parts for hydraulic turbines. This is a responsibility which the American manufacturer assumes so that the purchaser of the hydraulic turbine will always be able to obtain at lowest cost prompt repair of his equipment and prompt manufacture and delivery of replacement parts should any emergency occur today, next year, or 25 or 50 years from now.

SUMMARY

A steadily increasing flow of foreign imports has followed the reduction of tariffs and the restriction of Buy American protection. The result has been serious injury and threatened further injury in the nature of idled facilities and reduced employment.

The hydraulic turbine industry, while a little known industry, has, prior to the recent influx of foreign imports been an industry with relatively stable employment. In most of the companies in the industry, the gaps between turbine contracts have been filled with subcontracts for products requiring large machinery. The industry is, however, permanently dependent for its existence on its base product—hydraulic turbines. That is the only way they have been able to keep their doors open. But as the gaps between orders get wider and wider, facilities will be abandoned and employees laid off.

The hydraulic turbine industry has growth potential for some years to come. First of all, there is a vast amount of undeveloped water power resources. In addition, the recent development of pump-turbines has made possible a new method of meeting power system peaks by virtue of pump storage facilities. Thus, the industry has the potential of increased production and increased employment.

It is the objective of the industry not only to avoid destruction but also to obtain conditions with respect to imports that will enable individual companies to re-hire employees and increase employment opportunities in the future.

APPENDIX I

Comparative applicable labor rates for countries which export hydraulic turbines to the United States

Country	Rate
United States	$2.90 per hour.
Sweden	$1.22 per hour.
United Kingdom	$1.04 per hour.
West Germany	$0.77 per hour.
France	$0.64 per hour.
Japan	$63.38 per month.

Source: Yearbook of Labor Statistics published by the International Labor Organization of the United Nations.

APPENDIX II MORROW POINT OF RECLAMATION BID DATE—DECEMBER 10, 1963

Mitsui (Japan)	$611,452
Mitsubishi Heavy Industries, Ltd. (Japan)	822,090
Hitachi, Ltd. (Japan)	1,080,000
English Electric (England)	1,188,589
Newport News Shipbuilding & Drydock Co.	1,215,000
James Leffel Co.	1,499,500
Allis-Chalmers Manufacturing Co.	1,518,000
Baldwin-Lima-Hamilton Corporation:	
Part foreign	1,539,470
All domestic	1,817,100
Nohab (Sweden)	1,750,000

The foregoing Statement is respectfully submitted to the Committee on Finance of the Senate of the United States by Baldwin-Lima-Hamilton Corporation.

STATEMENT OF NATIONAL PIANO MANUFACTURERS ASSOCIATION OF AMERICA, INC., CHICAGO, ILL., IN SUPPORT OF IMPORT QUOTA LEGISLATION

SUMMARY

I. The Imports of Pianos Into the United States Are Escalating At a Dismaying Rate.

II. Because of Comparative Wage Scales, the Present United States Tariff on Pianos is no Barrier to Foreign Imports. A Tariff Reduction Would Compound the Injury.

III. The Pattern of Rapidly Increasing Imports Primarily From Japan in the Slowly Increasing Domestic Market is Injuring Domestic Manufacturers.

IV. Unless Imports Are Restricted, the Domestic Piano Industry Faces Loss of Business, Loss of Profits, Unemployment—An Industry-Wide Recession.

V. The Piano Industry Appeals to This Committee to Solve This Problem of Major Domestic Concern—By Imposing a Reasonable Import Quota on Pianos With No Reduction in Tariff.

INTRODUCTION

This statement is submitted on behalf of the National Piano Manufacturers Association (NPMA) on behalf of all the manufacturers of pianos and piano components in the United States. To conform with your request we have kept this statement brief, but we are prepared to support in depth with statistics the matters discussed should this Committee desire elaboration.

These manufacturers, individually as well as through the offices of the NPMA, have made major contributions to our culture and its expansion and growth, by:

1. Making available on a complementary or non-fee basis throughout the nation quality pianos for concerts, symphonies, operas, and other musical programs;

2. Sponsoring concert artists to encourage public interest in music and to promote the highest quality of artistic performance;

3. Forming and supporting various organizations in support of the arts, such as the National Piano Foundation, the sole purpose of which is to improve teaching methods to encourage easier learning and more proficient level of student education and performance;

the American Music Conference, a music industry educational organization devoted to stimulating music activities in schools, communities and homes.

The members of NPMA sold 208,930 pianos in 1966 and for the reasons outlined below expect to sell fewer in 1967.

I. THE IMPORTS OF PIANOS INTO THE UNITED STATES ARE ESCALATING AT A DISMAYING RATE

From about three thousand pianos imported into the United States in 1961, an estimated twelve thousand will be imported in 1967, that is, the import rate has increased almost *400%* in six years. The singlemost piano exporting nation is Japan, which increased exports into the U.S. from 1,874 in 1961 to 9,263, almost

500%, in 1966!* To point out the aggressiveness of the Japanese exporting, while Japan's exports to the United States increased over seven thousand units over that period, all other nations' exports increased less than four hundred units.

It is this overwhelming increase in imports of pianos, coupled with projections of the future particularly if there are reductions in the rate of duty on pianos, that has prompted the NPMA to submit this statement to the Committee on Finance.

II. BECAUSE OF COMPARATIVE WAGE SCALES, THE PRESENT UNITED STATES TARIFF ON PIANOS IS NO BARRIER TO FOREIGN IMPORTS. A TARIFF REDUCTION WOULD COMPOUND THE INJURY

Piano-making involves an unusually high portion of manual work by highly skilled and experienced craftsmen. Consequently, the wage-rate paid the employees significantly affects the cost of the end product.

The average per hour wage rate in the United States in 1966 in the piano industry is $2.54 plus over $0.50 in average hourly fringe benefits. In Japan the average hourly wage rates are now allegedly $0.60, although the most current U.S. Department of Labor statistics show a $0.37 rate plus about $0.10 in average hourly fringe benefits.** Obviously, with at least a five times higher wage rate to pay, the domestic piano manufacturer has an overwhelming burden to overcome, which breaks down to an eight hundred dollar difference in a grand piano which, when domestically produced, costs between $2,500 and $3,000 retail.

The present U.S. customs duty under TSUS Items 725.02, 726.45 and 726.80 (pianos and piano components) is 17%. The Kennedy Round resulted in a proposed reduction to 8.5%. It is readily apparent that even the 17% rate fails to equalize the cost of Japanese pianos with U.S. pianos. Neither the present nor the proposed duty rate impede importing. In fact, since imports doubled in 1959 when the rate was reduced from 20% to 17% in 1958, the same significant increase—above the already rapid increasing rate—should be expected.

III. THE PATTERN OF RAPIDLY INCREASING IMPORTS PRIMARILY FROM JAPAN IN THE SLOWING INCREASING DOMESTIC MARKET IS INJURING DOMESTIC MANUFACTURERS

In contrast to the increase of imports since 1962, the NPMA sales as of August, 1967 are four thousand units less than during the same eight month period in 1961. If the sales in the remaining four months of this year are at the same rate as of August, only 171,000 units will be sold in 1967 in NPMA members, a 37,000 unit decrease from 1966.

It is probable that not all the sales decrease is attributable to the increase in imports, but nevertheless the fact remains that the domestic manufacturers are losing business while the other nations' manufacturers are gaining. As we have demonstrated, the fault lies not in inefficiency, profit-taking, or greed, but in the high wage burden accepted by the U.S. manufacturers.

IV. UNLESS IMPORTS ARE RESTRICTED, THE DOMESTIC PIANO INDUSTRY FACES LOSS OF BUSINESS, LOSS OF PROFITS, UNEMPLOYMENT—AN INDUSTRY-WIDE RECESSION

It is clear that not all domestic manufacturers will survive as their sales continue to decrease owing to increasing imports. As sales decrease, employment will decrease. The average piano firm is relatively small and employs between thirty and five hundred employees.

The manufacturing facilities are distributed throughout the U.S. and are principally located in small communities, for example, Hoquim, Washington; Granite Falls, North Carolina; Ivoryton, Connecticut; Bluffton, Indiana; Springfield, Ohio; South Haven, Michigan; Oregon, Illinois; Lafayette, Tennessee; Conway, Arkansas. When unemployment strikes small towns like these, it hits hard and permanently. The unemployed just move out and never return.

V. THE PIANO INDUSTRY APPEALS TO THIS COMMITTEE TO SOLVE THIS PROBLEM OF MAJOR DOMESTIC CONCERN—BY IMPOSING A REASONABLE IMPORT QUOTA ON PIANOS WITH NO REDUCTION IN TARIFF

In summary, we are making this appeal in an area where no other solution appears feasible. We do not ask for a tariff wall around the domestic piano

*6,455 units were imported from Japan alone during the first six months of 1967.

**None of the other major piano exporting countries have average hourly wages greater than one-half those paid in U.S.

industry. Such an action may lead to unfortunate repercussions in other areas. And, we do not object to imports taking up a pro rata share of whatever increase there might be in domestic consumption. However, we strongly object to being forced to give away business to foreign manufacturers only because their wage scales are a small fraction of what is required in U.S.

We believe that the best solution is a reasonably calculated import quota on pianos. With a flexible quota system, the domestic industry would be preserved and the foreign industry would also benefit.

STATEMENT OF THE NATIONAL CONSUMERS LEAGUE, ON IMPORT QUOTA LEGISLATION, SUBMITTED BY SARAH H. NEWMAN, GENERAL SECRETARY

The National Consumers League, which was founde din 1899, represents the viewpoint of the American consumer, truly the largest economic interest in the country. We are concerned with protecting the consumers' freedom of choice in a free and peaceful world.

Last spring we waited, in hopeful suspense, for the conclusion of the Kennedy Round of trade negotiations. This conclusion came after five years of sustained effort by our highly respected and skilled trade negotiators, to bring about a liberalization of international trade with the purpose and on the scale intended by the Congress when it passed the Trade Expansion Act of 1962.

Consumer representatives on the Advisory Committee to the President's Special Representative on Trade Negotiations supported this effort as necessary to economic growth in this country on a competitive basis, thus contributing to more effective consumer choice among a variety of products at reasonable prices. It is necessary also to a general growth in international trade on a basis of recognized mutual interest, a supporting pillar to world peace.

Consumer representatives have acclaimed the results of the trade negotiations, despite certain reservations, because these results bear witness "to the desire among the more than 50 participating countries to move forward towards common action for mutual benefit"; and perhaps even more because failure to achieve these results might very well have led to a loss of faith in the capacity of the negotiating countries to organize for a more effective world order; and to the upsurge of rampant protectionism, the development of trade blocs taking retaliatory action against each other, a menace to world peace. The continuing strength of these protectionist forces is demonstrated clearly enough by the efforts now being made by some of our own great "infant" industries, to secure special protection from the Congress, particularly through certain non-tariff (quota) barriers. Such a move is in conflict with the spirit underlying our commitments in the trade agreements, and in our present efforts to check inflationary forces, so detrimental to the consumer interest. Such action would almost inevitably bring retaliation, particularly detrimental to our efficient export industries.

The National Consumers League urges that the Senate Finance Committee on National Trade Policy, now deliberating on this matter of such vital importance, support and extend the principles underlying the Trade Expansion Act of 1962.

Much remains to be done. It may be possible to secure further reciprocal reductions in tariff barriers.

The complex, difficult, and extensive area of non-tariff barriers was hardly touched in the recent negotiations. These obstacles to the non-discriminatory flow of international trade, which take many forms, "have deep roots in the fiscal, social, and economic policies of each nation" and "their distorting effects on international competition are often not readily apparent". They should be identified, their significance assessed, and positive efforts made towards clearing them out of the way of expanding trade.

Further, the recent agreements gave little recognition to the special needs of developing countries, which have now entered spectacularly into the world community. At the forthcoming UNCTAD Conference (United Nations Conference on Trade and Development), February 1968, we must be prepared to reach some general understanding on ways to help these countries share to a greater extent in the benefits of world trade—their demands are now insistent and can no longer be ignored. Our obligations under the United Nations Charter as well as our national interest require positive action. Special trading arrangements have already been made between some of the developing and developed countries (particularly in Europe and the British commonwealth) which threaten the interests of non-participants. It should be our national policy to support the suggestion made by the President at Punta del Este in favor of

a generalized non-discriminatory program of support for developing countries, designed to strengthen their export position, thus contributing towards the stable growth of their economies and a rise in the level of living of their populations. The percentage of international trade involved is comparatively small.

The National Consumers League recognizes that in working towards the liberalizing of international trade, through a "balance of benefits", some individuals and firms and, perhaps, even industries, may suffer some hardship and be entitled to adjustment assistance, but such assistance should not be of a kind that perpetuates protectionist devices. We cannot meet the extraordinary challenges of the new world community with worn out concepts and practices. The consumer interest requires innovative leadership towards a more satisfying level of living for all—the political consequences of failure may be disastrous to all of us.

Since the negotiating authority under the Trade Expansion Act has already expired, it is desirable that provision be made to continue a special office for trade negotiations to study, focus attention on, and coordinate action in relation to our international trade relations.

Farrell Lines Incorporated, New York, N.Y., Statement to the U.S. Senate Finance Committee Hearings on Import Quota Legislation

INTRODUCTION AND SUMMARY

Farrell Lines is an American-flag steamship company with forty years experience in U.S. Atlantic Coast/Africa trade. We recently entered the Australia/New Zealand-U.S. Atlantic and Gulf service by purchase from the United States Lines Company of their Australian ships and service.

Farrell Lines appreciates the opportunity to present its comments to the Senate Finance Committee on a timely subject vital to the interests of the United States, Australia/New Zealand and our organization. The remarks are directed to the overall aspects of import quotas and to the quantitative aspects of the U.S.-Australia/New Zealand trade.

Briefly we note:

(A) Inflation will be encouraged by limiting alternative sources of supply.

(B) The balance of payment problem will increase as other nations are unable to purchase American goods and services.

(C) Australia/New Zealand consumers are important customers who purchased over $746 million worth of American products in 1966.

(D) U.S. imports of Australia/New Zealand wool, lead and zinc are not expected to increase and become a threat to American producers.

(E) The imports of Australia/New Zealand meat products are not in competition with the American beef products.

ECONOMIC IMPLICATIONS

The introduction of protectionist legislation will affect U.S. domestic prices, the terms of trade and the balance of payments.

U.S. Domestic Prices.—Consumer price levels are dependent on the relationship between quantity demanded of given product and the amount supplied. When the two are in equilibrium, the market price is established.

Briefly, the market demand for the product is a function of buyer preferences, income and the price of substitute products. Supply is viewed in the cost of production and the prices offered for the product. If either of the variables (demand or supply) is shifted, a change in the market price will occur.

The introduction of protective legislation affects the supply schedule offered to U.S. consumers because alternative sources are artificially limited. This creates an imbalance as the same quantities are demanded but the quantity offered by domestic suppliers will not increase at the existing price level. To induce sufficient supplies, the market price is raised and the domestic supplier will then offer more product. At this point a shift in supply occurs and the imbalance between demand and supply is corrected.

The equilibrium, however, is achieved at the expense of the consumer, and the net result is inflation and higher market prices to the American public.

Terms of Trade.—The imposition of quotas will affect the relationship between a nation's exports and imports because the reciprocal demand between trading

nations is reduced. This occurs because the ability of the importing nation is directly related to its ability to earn foreign exchange.

In sum, we cannot expect to increase exports unless the other countries have access to our markets and have the opportunity to earn funds. In turn, these monies are available to purchase American goods and services.

Balance of Payments.—A national imbalance of payment occurs when a nation is importing more goods and services than it is exporting. The net result of this disequilibrium is a dissipation of a country's international reserves, i.e., gold, foreign deposits, drawing rights against the International Monetary Funds, etc.

One of the classic means of correcting a fundamental imbalance is to increase the exports. This can be achieved only if the customer (importing nation) has the foreign exchange to purchase the exports. Thus, if the quotas are introduced, the customer (importing country) will not have sufficient funds to increase imports from the nation with a balance of payment problem. Therefore, Protective Quota Legislation will be a negative influence on export efforts and is a complete contradiction of the U.S. policy promulgated at the recent GATT negotiations.

U.S. AUSTRALIA/NEW ZEALAND TRADE

An examination of the current U.S.-Australia/New Zealand trade and future trade projections will add perspective to proposed import quota legislation and provide specific data to reinforce the theoretical arguments advanced in the first section of this submission.

U.S. Exports.—American products have become a major source of Australia/New Zealand imports. Specifically, this is illustrated by Exhibit "A" which shows a percentage share of the Australian market and a percentage share of the New Zealand market. During the 1959/1966 period, the value has risen from $316 million to $746 million, or an increase of 138%. In addition to the commercial trade, Australian defense import expenditures are expected to increase 35% in 1967/1968. The cost of the American military hardware will be over $500 million during the next decade and make Australia the third largest purchaser of U.S. defense equipment.

Turning to the future, Farrell Lines and the Arthur D. Little Company prepared a preliminary trade forecast for cargoes carried by our vessels.

For the American-export/Australian-import moving through the United States, Atlantic and Gulf ports, we found the estimated annual compound growth pattern to range up to 11.5%. The accuracy of this forecast is borne out by the relationship between predicted and actual data, as illustrated in Exhibits "E" and "B."

A few comments on methodology may be helpful:

> An historical comparison is appropriate, as the maximum error (1962) is only 13% and the average error is approximately 7%. By analyzing this historical data, which is limited to the last nine years, certain historical data, which is limited to the last nine years, certain relationships between the stated factors (National Income and Terms of Trade) are evident. For a 1% increase in Australia's national income, the average value of cargo has increased 1.5%. The same direct relationship applies to a change in terms of trade (WPI and U.S. Export price index) as a 1% positive change results in an average 2.5% increase in the value of Australian import liner traffic.
>
> For the 1957/1965 period, the independent variables have been on the average positive and increasing. Thus the trend for *value and general cargo weight tonnage is projected at 11.5% annual increase* for the 1966/1975 period. One should remember this is a trend line which expresses a prevailing tendency of the data and individual values for a given year will fluctuate around this line (11.5%).
>
> With regard to the future, it is always possible that the independent variables (national income wholesale price index and United States export price index) could change, i.e., new trading partners, tastes, war, major depression, etc., and alter the trend. Nevertheless, the economic model has proven to date to be correct and can, for the present, be considered a reasonably reliable guide, provided artificial controls are not imposed.

Australian Exports.—In the next decade, exports of primary products (wool, lead, zinc and meat) from Australia to U.S. Atlantic and Gulf are not expected to expand as dramatically as Australian imports, with the notable exception of meat industry exports. (Exhibit "C")

Wool Market projections indicate that Australian exports to the United States will decline. Three causes are evident:

Continued substitution of synthetic for natural fibers coupled with a predicted slowdown in the rate of growth of United States national income.

Continued growth of imports of wool fabrics substituting for raw wool imports.

A probable slowdown in the decline of United States domestic wool production due to higher prices of Australian wool and lamb.

Therefore, it is indicated that:

Imports of raw wool in 1967 should be sixty-two million pounds or 32% of the 1965 level. Imports of raw wool in 1970 should be sixty-seven million pounds or 35% of the 1965 level. (Please see Exhibit "F")

Lead and zinc exports from Australia to the United States can be expected to remain at low levels. Lead and zinc virtually always occur together in nature and, therefore, the fortunes of one inherently affect the other, although their markets are widely different. Nevertheless, they both have tended to exhibit only very slow growth over the long term. We expect a continuing slow growth in United States consumption of lead, while zinc consumption will probably level off and perhaps decline. In addition, production capacity is being greatly expanded in both the United States and Canada.

The outlook for the meat trade is most encouraging for the American consumer. Our analysis indicates that:

Total meat imports will rise 66%, or an average annual increase of 11.7% between 1965/1970.

The growth rate would not be sufficient to trigger current quotas until the 1970's.

Again, a comment on methodology:

Our forecasts are based on a mathematical model of United States consumption, productions and imports of meat which was specifically prepared for this analysis by Arthur D. Little, Inc. The principal variables in the model are United States disposable personal income, the price of meat in Great Britain and the price of meat in the United States. Two alternative assumptions were made about the future direction of United Kingdom meat prices to span the feasible range of United Kingdom's prices over the coming years. From this we have generated two forecasts of United States meat imports. The high forecast assumes that United Kingdom meat prices will continue to grow at the rate they have been growing for the short term during the last year. The low forecast assumes that price will conform to the lower levels of the long-term trend. The range of projected meat exports is shown in Exhibit "D". The range between the high and low projections is seen to be relatively small because the high projection bumps against the quota toward the end of the 1960's when the difference between the two projections becomes negligible.

The imports of larger quantities of Australian meat must be examined further and not considered purely in quantitative terms. In brief, there are four convincing arguments for not imposing additional quotas on imported Australian beef.

Imports Not Affecting U.S. Cattle Industry.—The current plight of American live stock farmers is related to a cost-price squeeze. In short, this means the cost of producing beef on American farms has increased more than the market prices for the product. Thus, it is not a drop in prices that has depressed earnings but rather an increase in operating costs. Therefore, increased imports are not the cause of low earnings.

Different Products.—The American home consumer has a preference for high fat content in beef products. This is the so-called "marbled meat" which has a 25% to 30% fat content. The demand for this is satisfied by the American farmer. By contrast, the Australian imported beef is a grass-fed product with a fat content of around 10%. These lower Australian fat content meats are used for manufactured or industrial purposes and thus the imported product is not directly competitive with the domestic product.

Increased Retail Prices.—If the lower priced imported products are not available to the United States industrial manufacturers, a higher price will have to be paid to American farmers to produce the deficit supply. In turn, the manufacturer must charge the consumer high prices and the net result is an increase in low-priced beef products which are used by the lower income families—those least able to afford it.

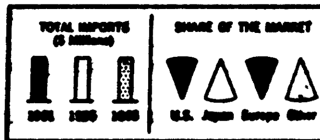
Current Quotas Sufficient.—Under Public Law 88-482, imports have never reached the level to trigger quotas. In fact, it is estimated by the Secretary of Agriculture that total meat imports for 1967 would be approximately 860 million pounds or 135 million pounds less than the previously established quota level.

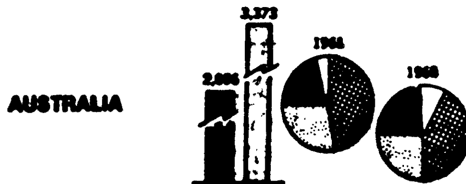
CONCLUSION

In summary, the net effect of the proposed quota legislation will be to reduce U.S. trade to the Australian/New Zealand area. This would appear to be an unjust penalty for our longtime allies and a negative influence on American economic development. Specifically, it would encourage retaliatory trade restriction by our best customers, aggrevate the balance of payment problem, increase American consumer prices and limit the employment opportunities of the segment of the American economy involved in foreign commerce.

EXHIBIT A

Imports of Australia and New Zealand, Total and Chief Suppliers' Shares





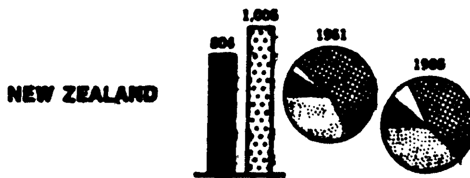


EXHIBIT B

Exports from the United States to Australia & New Zealand

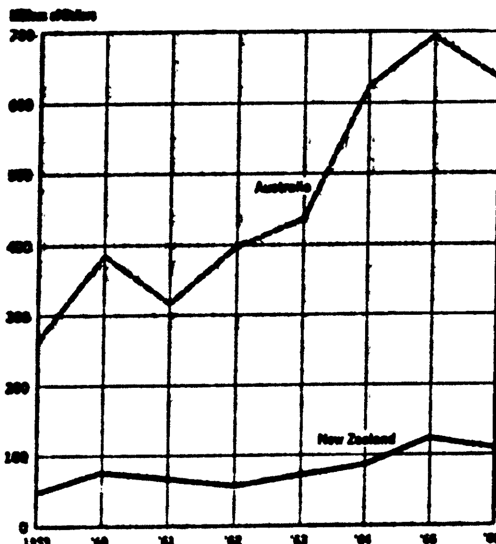


EXHIBIT C

Imports to the United States from Australia & New Zealand

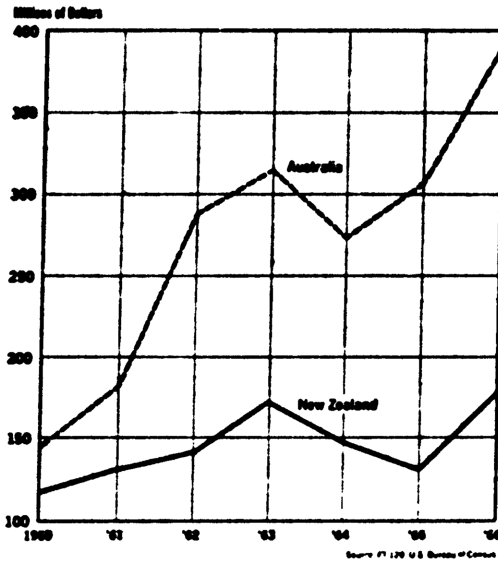


EXHIBIT D

U.S. Imports of Meats, Australia and New Zealand

July 24, 1967

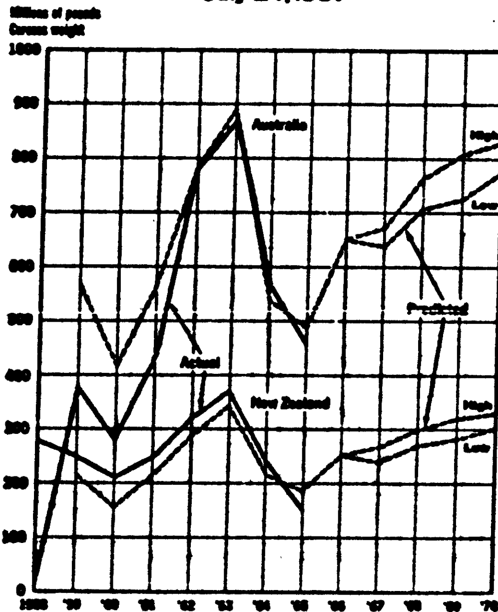


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EXHIBIT E

USMA & Gulf Exports to Australia & New Zealand
Total Tons (less bulk) in thousands
July 24, 1967

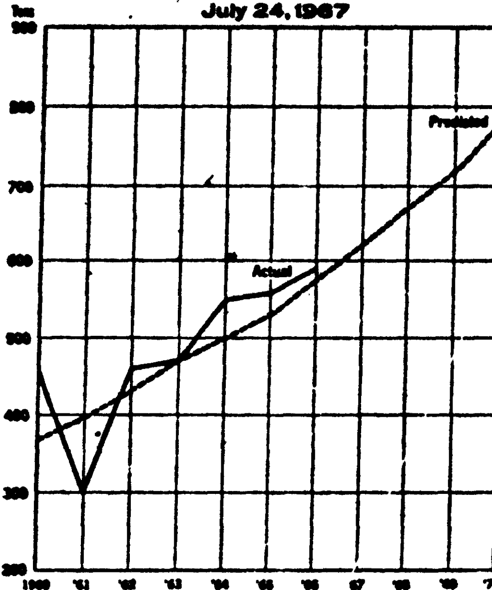
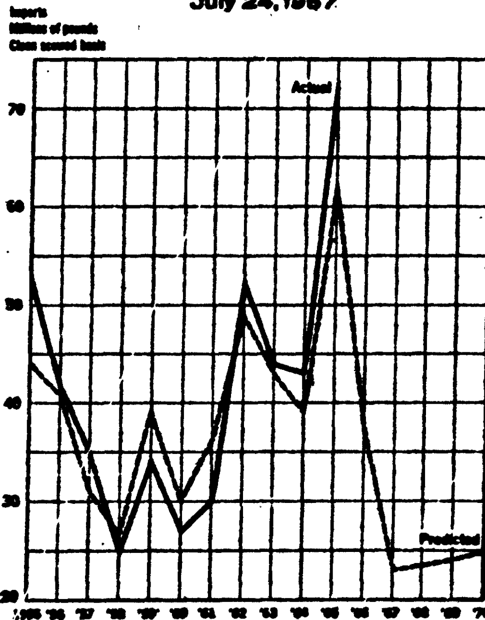


EXHIBIT F

U.S. Imports of Wool from Australia
July 24, 1967



STATEMENT SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, BY HENRY C. WALLICH, ON IMPORT QUOTAS

Re: S. 289, S. 612, S. 1588, S. 1633, S. 1796, S. 1856, S. 2217, S. 2332, S. 2411: E. Wright Bakke, Charles W. Bischoff, William C. Brainard, Jon S. Cohen, Richard N. Cooper, Scott M. Eddie, Richard A. Elnicki, Daniel Hammermesh, William P. Huenefeld, Stephen H. Hymer, Gilbert Johnson, James W. Land, Mark W. Leiserson, John Perry Miller, Richard A. Miller, Van Doorn Ooms, William N. Parker, Hugh T. Patrick, Gustav Ranis, Stephen A. Resnick, Hugh H.

Schwartz, James Tobin, Michael P. Todaro, Robert Triffin, Edwin M. Truman, Henry C. Wallich for himself, Bernard M. Wolf, Arthur Wright, Albert Berry, Donald Hester, Ralph C. Jones, Philip C. Kissam, John M. Montias, Joseph E. Stiglitz, and Harry Miskimin, Jr.

(The signers of the statement are members of the Department of Economics at Yale University.)

SUMMARY

The adoption by the United States of quota restrictions on imports would be a serious mistake. By reversing its traditional opposition to quota restrictions, the United States would be inviting massive retaliation from its trading partners. The result would be that those producers who can compete in today's markets would be hurt in order to benefit those producers who, for a variety of reasons, are less competitive. With quotas, government administrators and legislators would take the place of the market, and government fiat rather than prices would determine how much is to be imported and by whom. Quotas raise prices. With foreign competition neutralized, domestic producers could raise prices above the world market level to whatever point the market will support. Quotas can worsen the balance of payments. In the long run quotas probably would make the payments deficit worse by increasing inflationary pressure and pricing commodities at a level not competitive with European and other markets. In the long run, the system of quotas proposed in Congress would work to the detriment of labor by increasing prices, decreasing real income and providing less rather than more employment. We respectfully urge that Congress reject this ill-advised legislation.

INJURY FROM IMPORT QUOTAS—STATEMENT BY HENRY C. WALLICH AND JAMES W. LAND

The adoption by the United States of quota restrictions on imports as proposed in legislation now pending before the U.S. Congress would be a serious mistake. Quota restrictions would hurt U.S. export. They are incompatible with a free enterprise economy. They would discriminate against a wide range of efficient industries in favor of industries that are less efficient. They would raise prices and injure the consumer. The legislation would not solve our balance-of-payments problems; in fact, because it is inflationary, is likely in the long run to increase U.S. balance-of-payments difficulties.

Injury to exports.—By reversing its traditional opposition to quota restrictions, the United States is inviting massive retaliation from its trading partners. Coming as it does after the moderately successful Kennedy round of tariff negotiations, passage of this act by the U.S. Congress would say that with one hand the United States is removing restrictions on trade but with the other erecting more and even stronger barriers. Foreign countries will rightly charge that, to negotiate tariff cuts first and impose quotas thereafter, comes close to deceit. Since the proposed quotas cover a substantial amount of U.S. imports, the reaction will be swift and great.

Many quota restrictions in the past have been aimed at U.S. exports, and the United States, along with the World Bank, International Monetary Fund, and GATT, has worked hard, and with much success, at persuading countries to remove these quotas. The erection of similar restrictions by the United States will be a signal that this country's opposition in principle to quota restrictions has ended, and U.S. efforts to remove and prevent such restrictions will no longer be successful.

The proposed U.S. quotas, therefore, would act to destroy the gains from GATT agreements over the past few years and the recently completed Kennedy round of tariff negotiations. It would reverse gains from U.S. diplomatic and economic pressure to decrease the use of quotas by underdeveloped countries and Western Europe.

Interference with free enterprise.—With quotas, government administrators and legislators take the place of the market, and government fiat rather than prices determines how much is to be imported and by whom.

Government officials must decide how much of each commodity and its subvarities can be imported. There are many ports of entry, and possibly hundreds of varieties of each major commodity. Procedures must be established for determining import priorities, licenses, and what to do when quotas are filled. Lists of importers to be favored with import permits must be drawn up. The increase in administrative machinery is matched by an increase in potential abuses.

The amount of protection afforded by quota restrictions is invisible. When first imposed, quotas may restrict only a small part of potential imports. As time passes, however, and imports are not allowed to increase, the effective amount of restriction becomes greater, although how much greater cannot be determined from trade statistics.

Discrimination against efficient industries.—Restriction of U.S. imports through quotas means that many U.S. exports (which are considerably greater than U.S. imports) are likely to be similarly restricted by foreign countries. Manufacturers of farm and heavy machinery, and a great proportion of the nation's farmers, may face declining markets and trade restrictions, lower profits and prices, and slower growth rates of output. Meanwhile, other U.S. firms, which produce commodities subject to quotas (such as oil, textiles, and possibly meat, lead, zinc, dairy products, watches and mink) will receive higher prices for their products.

The result is that those producers who can compete in today's markets will be hurt in order to benefit those producers who, for a variety of reasons, are less competitive.

Quotas are inflationary.—Quotas raise prices. Foreign competition has been one of the factors holding down inflation in the United States in recent years. With foreign competition neutralized, domestic producers can raise prices above the world market level to whatever point the market will support. They will thus be able to pay wage increases in excess of productivity gains, which in turn will raise prices in third industries. The role of steel prices and wages in the inflation of the late 1950s has been documented by Congressional hearings. The proposed quota legislation now poses the threat of another such sequence.

Quotas can worsen the balance of payments.—The quota legislation now before the Congress is being activated partly because it would help solve the balance-of-payments problems of the United States. Trade restrictions might help the balance of payments if there were no retaliation. Even then, a tariff surcharge would be more in keeping with a free enterprise economy than the direct controls implicit in quotas. In any event, the restrictions would have to be temporary. The proposed quotas are not temporary but permanent ones. Once enacted, industry pressure to keep them will be enormous.

In the long run quotas probably will make the payments deficit worse by increasing inflationary pressures and pricing U.S. commodities at a level not competitive with European and other markets. Furthermore, foreign retaliation may damage U.S. exports more than quotas would decrease U.S. imports.

Finally, it should be pointed out, the very nature of the proposed legislation is at odds with the contention that it is designed to remedy balance-of-payments difficulties. The placing of quotas on specific imports is frankly discriminatory and designed to help particular industries. If the Congress believes that restriction of trade is necessary to solve the balance-of-payments problems of the United States, it should enact a temporary measure which is nondiscriminatory, such as a surcharge on all existing tariff rates.

Quotas may reduce employment.—In the long run, the system of quotas proposed in Congress will work to the detriment of labor by increasing prices, decreasing real income and providing less rather than more employment. By providing protection to noncompetitive industries, workers are bid away from efficient industries, and real incomes and employment will grow more slowly.

There is no justification for quotas in terms of the employment situation. At present, the U.S. level of unemployment is low. There is excess demand for many varieties of skilled labor. Even if, say, increased steel imports resulted in some unemployment in the steel industry, it would be temporary and might facilitate the transfer of labor to other industries and areas which are efficient and competitive in foreign and domestic markets. In the long run, the transfer of resources would result in higher incomes and employment.

Quotas result in windfall gains for importers.—The protection afforded to domestic industries by tariffs—that is, the difference between domestic and world prices—is collected by the Government and can be used in the economy at large. Protection by quotas constitutes a windfall gain for domestic importers, who now receive a higher domestic price and pay the same foreign price. Thus quotas are more inequitable than tariffs.

CONCLUSION

The set of quotas proposed in the U.S. Congress cannot be justified. The proposed legislation is a clear repudiation of a long standing U.S. policy favoring international trade. It is likely to destroy the gains achieved in the recent

Kennedy round since it invites retaliation against exports of U.S. farmers and industries.

We respectfully urge that the Congress reject this ill-advised legislation. If, in order to solve the U.S. balance-of-payments problem, measures are to be taken that reduce U.S. imports, they should be nondiscriminatory, temporary, and consistent with free markets.

STATEMENT BY CLIFFORD B. O'HARA, CHAIRMAN, COMMITTEE XII: FOREIGN COMMERCE, THE AMERICAN ASSOCIATION OF PORT AUTHORITIES AND CHAIRMAN, COMMITTEE ON FOREIGN COMMERCE AND GOVERNMENT TRAFFIC, THE NORTH ATLANTIC PORTS ASSOCIATION, ON BEHALF OF THE AMERICAN ASSOCIATION OF PORT AUTHORITIES, AND THE NORTH ATLANTIC PORTS ASSOCIATION

On behalf of the United States port members of the American Association of Port Authorities and on behalf of the North Atlantic Ports Association, I respectfully submit the following statement on the subject of proposed quotas on the importation of various commodities into the United States which are the subject of these hearings.

The American Association of Port Authorities numbers in its membership all of the major United States ports, and I have been authorized by the Association to present its views in this instance on behalf of its United States port members. Total investment in American ports since 1946 represents a current value in the aggregate exceeding 2 billion dollars.

The North Atlantic Ports Association, most of whose port agency members are also members of the American Association, represents United States ports along the Atlantic coast as far south and including the ports of Hampton Roads, Virginia. It appears as a separate party here because its port agency and terminal operator members handle a substantial portion of the particular imported commodities which would be affected by the quotas under consideration.

Both the Associations I am representing here are aware that considerable information will be put before this Committee on the advantages and disadvantages of instituting or revising quotas on United States imports. It is our purpose, however, to present to you for your consideration an element which might not otherwise be called to your attention.

The ports of this country are a major factor in the economic well-being of the area in which they are located, and, therefore, import restrictions of any kind or dislocations in the flow of trade have the effect of impairing the economy of the port communities. Past studies have indicated that as many as one out of every four persons residing in a port area earns his livelihood either directly or indirectly from the port's activities. The income earned by the numerous persons actively engaged in the ports' business, including longshoremen, cargo checkers, clerks, car loaders, truckmen, watchmen, tug boat crews, customs and other government personnel, bank employees, freight forwarders, customs brokers, merchants who supply the vessels with their provisions, ship repairmen and many others, is in turn spent by them in support of non-port related consumer services. The impact of a reduction or dislocation in cargo movements is felt particularly when general cargo commodities are involved, as is the case with a number of the commodities which are presently under review. This is so because general cargo movements generate far greater income for port workers than corresponding volumes of commodities handled in bulk.

These two port organizations are, therefore, opposed to artificial barriers, either in the form of import duties or quotas, which have the effect of restricting the free flow of commerce. It has also been the position of our Associations to support the favorable climate of mutual understanding and cooperation which has been evidenced by the Trade Expansion Act of 1962 and the negotiations for tariff reductions which have followed. Most recently, in fact less than a month ago, the American Association of Port Authorities expressed its views in favor of further liberalization of trade, rather than restrictions thereon, in the Resolution attached which was adopted by the membership at the Fifty-Sixth Annual Convention of the Association.

The ports of the United States have flourished and the economic well being of the communities has been enhanced through the trend toward more liberalized trade. Most of the major ports in this country maintain networks of trade development field offices which stand ready to assist American exporters and manufacturers in reaching foreign markets. Transportation advice and marketing

assistance is provided free of charge, supported by local funds and supplement the export expansion programs of the federal government. Through their facility construction developments and their trade promotion programs, our ports have insured that they are ready to provide the instruments to facilitate expanded trade.

The adoption by the United States of more quota restrictions, as proposed here, will certainly be used by other countries to justify their own restrictions against imports from the United States. Thus, the ports of this country will encounter restrictions to the movement of goods caused initially by the quotas themselves, and subsequently by the retaliatory action of other nations. We respectfully submit that the harmful effect of quotas on the people of the port areas has a direct bearing on the subject at hand and trust that it will be given the weight it deserves in your consideration.

In summary, the ports of the United States feel that any artificial barrier to trade should be discouraged, particularly at a time when all the trading nations of the world are moving toward a lifting of such restrictions. History has shown that a move toward protectionist policies in the long run hurts everyone. This is particularly true of the ports where any restriction or dislocation in the flow of trade always has an immediate and direct impact.

FAVORING ADDITIONAL LEGISLATION FOR THE FURTHER LIBERALIZATION OF TRADE

Whereas, the reduction of international trade barriers stimulates the demand for goods; and

Whereas, the general challenge of competition is the guarantee of industrial efficiency and productivity; and

Whereas, it is essential that the United States, as the world's largest single exporter, establish a realistic and profitable relationship with the international economic community; and

Whereas, the successful completion of the Kennedy Round of Tariff Negotiations still leaves remaining additional areas for liberalization of trade, such as non-tariff barriers and trade with the developing nations; and

Whereas, additional legislation can be expected furthering the climate of freer trade generated by the Trade Expansion Act of 1962; Now, therefore, be it

Resolved, That the American Association of Port Authorities favors the continuation of trade liberalization and supports legislation which implements this goal and strongly recommends support of such legislation both by governmental and private sectors of the United States.

PRINCETON UNIVERSITY,
DEPARTMENT OF ECONOMICS,
Princeton, N.J.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
2227 New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: I am writing to place on the record my great concern lest the large number of import quota proposals that have recently been introduced in United States Congress result in new legislation increasing barriers to trade.

My credentials for having views on this are three-fold. I am a citizen of the United States concerned with his country's welfare. I am a Professor of Economics whose field is international economics. Finally, I have recently returned from a year and a half stint as an assistant director general of the GATT, the organization under whose aegis the Kennedy Round tariff negotiations were carried out.

I do not question the right of an industry suffering economic difficulties—actual or merely foreseen—to seek redress by measures to reduce or eliminate competition from imports, but there are, it seems to me, several national welfare considerations of such great weight as to lead one to conclude that your Committee's endorsement or approval of these measures would not be in our nation's interest. Each could be argued at length, but I take seriously the injunction in your recent press release that statements be as brief as possible.

1. *Inflation*.—At a time of serious inflationary pressure, actual and anticipated, in the United States it is surely a major error of policy: (a) to keep out goods that might exchange for some of the money which is driving up prices, and (b) to keep out goods that are lower in price than some domestic substitutes.

2. *Productivity.*—The reason for much of the United States wealth, and incidentally, a major reason we have suffered less inflation than many countries in recent years, is our high rate of productivity. To keep off our markets goods that are competitive is to remove one of the major incentives to improving efficiency in the affected industries. Such incentives to increase efficiency become particularly important as we are successful in preventing depressions, themselves a potent force driving management to search for more efficient methods of producing.

3. *Balance of payment consideration.*—The United States currently exports more goods than it imports, by about four billion dollars per year. Should the United States raise new barriers against imports other nations will retaliate. Let us make no mistake about this. Such retaliation is well established and a well-nigh universal international practice; moreover, in most cases, it is specifically authorized in the relevant international agreements to which the United States is a party. Given our traditional export surplus on merchandise account, retaliation could very easily reduce our foreign exchange earnings substantially more than our foreign exchange expenditures would be cut as a result of the proposed new quotas. That is, the certain retaliations would likely worsen our balance of payments position, already precarious.

4. *Domestic employment.*—It well may be, I do not have the facts before me, that if Congress does not approve the bills now, or about to be placed, before you, there will be additional unemployment in these industries. But against this possible unemployment must be weighed the unemployment which would be created in our export industries as a result of the retaliation noted in item 3 above. One then must also ask whether, even if the unemployment in one industry were simply balanced by the increased employment in the other, it is in the nation's interest for Congress to follow a policy which would increase employment in the inefficient industries and decrease employment in the efficient ones. I think not.

5. *Credibility of United States commitments.*—This summer saw the completion of a four-year trade negotiation—the Kennedy Round. The name itself properly indicates the major role played by the United States in initiating and in carrying out these negotiations, by far the largest and most comprehensive the world has ever had. Having been, during the last eighteen months, a senior member of the GATT secretariat, under whose sponsorship these negotiations were carried out, I can state of my own knowledge that the United States negotiators were both skillful and tough. Most neutral observers, I believe, would say that the United States received at least as much in terms of access to markets abroad as it "paid" in terms of permitting foreigners to compete in United States markets. Certainly this is the firmly held belief of those with whom the United States negotiated. It needs emphasis in particular that United States negotiators gave up either nothing or very little in terms of access to the American market in several of the areas under discussion in your committee: oil, meat, and dairy products. On steel the tariff cuts all around were small. And on most textiles, the tariff cuts were small or non-existent. In the case of cotton textiles, the small tariff cuts were combined with new, and highly restrictive, bi-lateral agreements limiting low priced exports to the United States. In other words, the United States textile industry, the meat industry, the dairy products industry, the oil industry are *already* receiving substantial protection.

If the United States, after taking much of the initiative in getting the negotiations started, and, after having driven exceedingly tough bargains and taken great pains to protect the more vulnerable American industries, if in the light of all this the United States were to raise trade barriers it would be a long time before others would again follow American leadership in international economic affairs. Discrediting our leadership at this juncture in world affairs would be a great price to pay.

In sum, it seems to me that the above five major national welfare considerations constitute a compelling case for your Committee's denying its approval of the proposed import quota legislation now before you.

Sincerely,

GARDNER PATTERSON,
Professor of Economics and International Affairs.

BRONX, N.Y.

Senator RUSSELL B. LONG,
Senate Finance Committee,
Washington, D.C.

GENTLEMEN: I read in yesterday's New York Times an editorial entitled "Protectionist 'Christmas Tree'" with which I agree.

There are many reasons against the proposed quotas on certain contemplated imports. Such action is proinflation; labor costs are very materially increasing (and certainly does not need help), and will not encourage increasing volume of business. And can we not prohibit the adding of unrelated riders to bills?

Yours very truly,

C. STEWART KOEHLER.

NEEDHAM, MASS.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR: In considering the possibility of increases in tariffs and of import quotas, I hope that your committee will try very hard to keep such increases to the absolute minimum.

Trade barriers may be necessary to avoid temporary hardship to some portions of the economy at certain times. It would be very bad policy indeed, however, to maintain an artificially high price level in this country at the expense of world trade.

Yours very truly,

PRESTON DAVIS.

CHICAGO, ILL.

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

The International Trade Club of Chicago, with 800 members representing 700 companies and organised to expand the international trade of the United States, strongly opposes legislative import restrictions under consideration by the Senate Finance Committee.

This contemplated protectionist legislation would negate the beneficial effects of the Kennedy round to our Nation's business, would invite retaliatory measures by other countries against U.S. exports, and deny goods to American consumers and business at competitive prices, thereby fostering inflation.

INTERNATIONAL TRADE CLUB OF CHICAGO,
ROBERT G. BIESEL, *President.*

FRESNO, CALIF.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee, Senate Office Building,
Washington, D.C.:

Understand hearings this week several bills to establish import quotas on certain industrial items. We are gravely concerned that such legislation if passed could well precipitate reprisals between world trading countries and lead to an avalanche of protectionism both in this country and abroad with serious results to our agricultural and industrial export programs, balance of payments position. Strongly urge no action be taken on quota systems which would destroy trade momentum kept moving by recent Kennedy round negotiations.

CALIFORNIA DRIED FRUIT EXPORT ASSOCIATION,
ROBERT WILCOCK, *President.*

NEW YORK, N.Y.

RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
New Senate Office Building, Washington, D.C.:

U.S. Council of International Chamber of Commerce strongly opposed to import quota legislation now before your committee. At deliberations today undersigned members executive committee unanimously agreed this legislation could

serve only to reverse 30 years' trade policy progress. Our country now stands to lose incalculable benefits of enlightened bipartisan efforts to modernize world's commercial structure. Imposition of quotas will lead to retaliation from other countries. They would have no choice but to follow our example with worldwide restrictive chain reaction bound to result. This neither the United States nor world can afford. Export earnings vital to balance of payments would be in jeopardy. Higher costs induced by quotas would add to inflationary pressures. The sacrifice of jobs generated by trade would deepen unemployment problems damaging effect or proposed of quotas on overall policy position would be enormous in terms of our national interest. Dangers are overwhelming. Major U.S. stake in world production. Structure would be imperiled. We have consistently urged upon other nations the benefits of free competition; we must practice it ourselves.

Chairman Executive Committee James A. Linen, Time, Inc., William Blackie, Caterpillar Tractor Co; Maxe Gevers, Bankers Trust Co., Patrick E. Haggerty, Texas Instruments, Inc., H. J. Heinz, H. J. Heinz Co., Walter Hochschild, American Metal Climax, Inc., Amory Houghton, Corning Glass Works, Antonie T. Knoppers, Merck, Sharp & Dohme International, Warren Lee Pierson, All America Cable & Radio, Inc., Philip D. Reed, Former Chairman, General Electric Co., Ralph Reed, Former Chairman, American Express, Hoyt P. Steel, General Electric Co., Arthur K. Watson, International Business Machine Corp., Leo D. Welch, Former Chairman, Standard Oil Co., of New Jersey, Walter Wriston, First National City Bank.

FRANKFURT MAIN.

Hon. RUSSELL LONG,
Chairman of the Senate Finance Committee,
Washington, D.C.:

1. The Council of American Chamber of Commerce in Europe presently meeting in Munich representing over 10,000 members in the United Kingdom, France, Germany, Spain, Italy, Switzerland, Belgium, and the Netherland voices its greatest concern and dismay at the development of the protectionist legislation currently before Congress.

2. Council unanimously condemns these measures as being highly detrimental not only to the commerce of the United States but to that of the entire free world. These protectionist proposals are in direct contradiction to the principles of the Trade Expansion Act and the Kennedy Round which we as an organization strongly supported.

3. The danger presented by these proposals threatens to affect adversely U.S. exports by $3 to $4 billion per year and consequently must lead to further serious deterioration in the U.S. balance-of-payments position.

4. We believe that the free world is one market and that such restrictive measures will inevitably provoke retaliatory actions by our trading partner. The United States as the world's leading trader cannot afford these consequences.

5. We respectfully address this protest to you, the chairman of the Senate Finance Committee, and request that you make our position known to the members of your committee.

COUNCIL OF CHAMBERS IN EUROPE,
OTHO SCHOEPFLER, *Chairman.*

SAN FRANCISCO, CALIF.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.:

With reference to your committee hearings on import quota legislation scheduled to begin October 18, we respectfully submit the following facts for the record and, more importantly, for your consideration.

1. Our Nation's economy depends in great measure upon our willingness to keep open the channels of international commerce so that we can maintain and expand our vital foreign trade.

2. Our Government must demonstrate it recognizes that in order for us to sell abroad we must also buy abroad. This is basic to international business. If the Congress legislates restrictions on how much Americans may purchase abroad inevitably our trading partners will legislate the extent to which their people can purchase our products. Obviously, discriminatory legislative action on our part will lead to retaliation by customers for American goods and services. Needless to say, this in turn can bring about an international trade war. We stand to lose far more from legislated amputation of our foreign commerce than we could ever hope to gain by imposing quotas on the importation of commodities that are competitive with ours.

3. The raising of U.S. trade barriers in the form of import quotas and the resulting retaliatory actions we should anticipate will defeat the worthwhile purposes of and the gains realized by the recent Kennedy Round negotiations.

4. California, perhaps more than any other State, has a critical stake in our Nation's international commerce. The Bank of America estimates that some $5 billion of California's personal income is derived from foreign trade.

5. Although Congress deliberates on our eastern seaboard where the voice of protectionism appears strongest, may I remind your committee that total U.S. trade with nations of the Pacific rim was $24 billion in 1965, while total U.S. trade with Europe amounted to less than $12 billion.

6. The total value of California's foreign trade in 1966 was $4.6 billion. This was more than this State's total cash farm receipts last year.

7. With each passing year California's economy depends increasingly upon our ability to sell our products abroad. If it were not for the more than half a billion dollars in agricultural products California is able to sell abroad, our economic well-being would suffer proportionately. The imposition by Congress of import quotas wou'd preclude our overseas customers from having the dollars with which to continue buying U.S. agricultural and other products. We seek expansion of our overseas sales but unless we permit foreign products to be sold in the American markets within the framework of a free society and the give and take of business competition, our foreign sales will go down the drain.

8. Even though California is considered our nation's leading agricultural State, roughly one out of every 18 jobs in California is dependent upon foreign trade. As the Congress knows well, one of California's and the Nation's major industries is the manufacturing of aircraft. We wish to point out that one company alone (Douglas), employing thousands of workers, sold more than $1 billion in commercial aircraft to foreign buyers during recent years and that company, as of the beginning of 1967, had on hand unfilled orders from foreign customers of —$1.1 billion. We are not the only nation producing aircraft and although presently our trading partners may appear to prefer the American product, if we impose restrictive import quotas we should expect similar inequitable treatment and retaliatory action.

9. The ports of California, America's gateways to and from the Orient, depend on our Nation's international commerce for their existence and survival. Yet, there are those who would place restrictions on the flow of the very goods that move through those ports: oil, meat, textiles, steel and dairy products, to name a few. If we impose import quotas there will be retaliation. Who is to say what American exports will be affected by the embargoes that may be legislated by the trading partners we hurt? Will trade barriers be erected against American oil, meat, textiles, steel and dairy products? It is entirely possible, for these are products the United States is exporting, I repeat, exporting. Embargoes on these products alone would be very costly to the American economy. The International Business Community of California questions the wisdom of those who would place import quotas on meat and meat products when through California ports the United States exports more than $45 million worth of meat, meat products, and animal byproducts annually; or import quotas on dairy products when our ports each year handle more than $30 million worth of such commodities going to our overseas customers. Annually California ports handle exports of more than $8 million of textile yarn, waste, thread, and fabric; about $30 million of iron and steel products; $60 million of iron ore and iron and steel scrap; and more than $60 million in oil and petroleum products, all sold to America's overseas customers, all exported from the United States through the ports of California.

10. In the light of facts as they are, the California Council for International Trade respectfully asks that the Senate Finance Committee take advantage of the opportunity afforded by its hearings this week to enlist congressional sup-

port for a realistic, sane, and equitable U.S. foreign trade policy. We pray that your committee will not only prevent the erection of further archaic protectionist barriers to trade but will, moreover, bring abou greater public awareness of how our Nation benefits immeasurably from its international commerce.

CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE.
JACK GOMPERTS, *President.*

BROADWAY, VA.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
Congress of the United States,
Washington, D.C.:

As director of the Institute of American Poultry Industries and as a member of the Poultry Industries International Trade Development Board I have been very active in assisting in the development and expansion of markets overseas for U.S. poultry products. I have just returned from a 4 weeks trip to Europe in this regard.

I would like to comment on the proposed quota legislation now pending before the committee because of the impact such legislation would have on our exports.

Although we are most unhappy with the failure of the Kennedy Round negotiations to obtain fair treatment and equitable market access for U.S. poultry as well as other U.S. agricultural products we do not believe the enactment of the proposed quota fills for oils, steel, chemicals, dairy products, and other items at this time would be in the best interest of the United States.

We would support the use of quotas and other restrictive measures whenever necessary to protect and free our commerce from oppressive protectionist devices such as the variable levies being imposed against our products by the EEC. This policy was enunciated by section 252 of the Trade Expansion Act but has not been carried out. Such measures could be directed at the offending countries and not against countries which treat our commerce fairly.

We recognize that there may be circumstances for reasonable protectionist measures are necessary to protect uneconomic or high cost industries which are already in existence but such protection must be based on certain fundamental principles and should not be used as a shield behind which to further expand or to develop new uneconomic production. We must exercise care not to use measures which we are unwilling to have used against our commerce under similar circumstances.

The present bills would arbitrarily establish quotas and preempt the market at certain levels without regards to the impact such measures might have on the export of other U.S. commodities or upon our national well-being. We do not believe this is a sound approach to trade policy. We must be willing to practice reciprocity if we are to be in a position to demand it for ourselves.

What we believe is needed now is a searching reexamination of our trade policy and of the manner in which these policies are being administered and carried out. We believe that in view of the provisions of section 252 of the Trade Expansion Act some explanation is in order as to the propriety of granting additional and more favorable treatment to the United States market for the products of the EEC countries when such countries are oppressing our commerce with the use of vicious and highly protectionist variable levy schemes.

While we must face up to fundamental principles of fairness and sound economics in developing international trading rules, we must also demand that other countries do likewise.

For these reasons we urge that the proposed quota bills not be approved.

ROCKINGHAM POULTRY MARKETING CO-OP.,
W. V. PRINGLE, *General Manager.*

CLEVELAND, OHIO.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

As an active and concerned member we want to individually and separately add our endorsement to the statement being filed with you by the American Association of Port Authorities in support of liberalized trade and against im-

port quotas. Passage of quota legislation is certain to result in eradication of the laboriously attained benefits hoped for in the Kennedy Round. It will also lead to widespread international retaliation which will seriously affect the U.S. position in world trade generally and incidentally the overseas commerce of the St. Lawrence Seaway and the Great Lakes.

PORT OF CLEVELAND,
EARLE B. BUTLER,
General Manager.

OAKLAND, CALIF.

Senator RUSSELL B. LONG:

Those of us at the major ports of entry and departure of goods realize perhaps better than others of our country that world trade is a two-way street. Quota limitations on world trade will undo much of the good created by the Kennedy Round of negotiations. The United States cannot live by itself in the free world of trade.

PORT OF OAKLAND,
BEN E. NUTTER,
Executive Director.

HOUSTON, TEX.

Senator RUSSELL LONG,
Chairman, Committee of Finance,
U.S. Senate, Washington, D.C.:

It has come to our attention that there will be a public hearing on import quotas Wednesday, October 18. We would like to stress that, as a firm engaged in import and export business, any attempt to artificially regulate the flow of imports will seriously reduce our ability to export. This would not only hurt the future of our enterprise but damage the trade position of the United States everywhere. We strongly urge that any such attempt be abandoned and that the international business of United States concerns be able to be conducted on a basis of free enterprise in keeping with the principles for which this country stands.

THE CRISPIN CO.,
ANDRE A. CRISPIN,
President.

SAN ANTONIO, TEX.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington:

For several years and with Government encouragement many of our (TITA) Texas International Trade Association members have developed substantial new foreign markets for U.S.-manufactured goods, a desirable factor for economic growth. Also imports have stabilized and prevented several price increases. Restrictions on imports will seriously affect exports and our economy. Our members advocate freer trade among nations. We hope you will not restrict imports and reject any proposal toward this end.

TEXAS INTERNATIONAL TRADE ASSOCIATION,
KENNETH W. STUER, *President.*

SAN PEDRO, CALIF.

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.:

Continued growth of our two-way world trade imperiled by proposed drastic import quota legislation. The Port of Los Angeles urges you to oppose legislation that is now before you for consideration.

PORT OF LOS ANGELES,
B. J. COUGHLIN,
General Manager.

WASHINGTON, D.C.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
Washington, D.C.:

Deplore efforts establish import quota. Would be calamitous step backward undoing years of work by country's farsighted leaders to bring about better promise, world peace and order, and would shortsightedly damage country's prosperity. The best for majority must govern not gain for a few.

W. H. WHEELER, Jr.

GALVESTON, TEX.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

As we have in past, we again urge congressional action in line with liberalizing of trade among nations and we strongly oppose imposition of further quotas on imports. The importance of the port industry is well illustrated here in Galveston, where 70 percent of our economy is dependent on import and export trade.

PORT OF GALVESTON,
C. S. DEVOY,
General Manager.

HOUSTON, TEX.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The Houston World Trade Association, consisting of more than 500 members, and its successor organization, the World Trade Club, were shocked by last night's Houston Chronicle report of the purposes of the public hearing on import quotas. Passage of any of the proposed legislation would nullify our more than 30 years of constant effort toward a freer trade among Americans and other peoples of the world. The port of Houston depends in large measure on its constantly increasing traffic in imported goods. The people of Houston depend upon the port as a major factor in the economy of the fifth largest city in our country. Countless man-hours were devoted by our organizations to educating the people of the Southwest to the purposes and details of the Kennedy Round negotiations. We confidently assert that the proposed legislation would bypass the wishes of a great Majority of Houstonians. We earnestly beseech you and the other members of your committee to reject these shortsighted proposals. If adopted they would adversely affect the interest of the majority of Americans everywhere.

WORLD TRADE CLUB OF HOUSTON,
J. R. DAVIES, *President.*

BROWNSVILLE, TEX.

Senate Finance Committee,
New Senate Office Building,
Washington, D.C.:

In behalf of all Texas ports please do not support further import quotas. This negative principle undermines Trade Expansion Act and invites retaliation. Unquestionably harmful to all ports and adversely affects major segment of U.S. economy indirectly. We concur in statement submitted by American Association of Port Authorities.

R. L. SCHULTZ,
President, Texas Ports Association,
and General Manager, Port of Brownsville.

ALBUQUERQUE, N. MEX.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.:

New Mexico's economy is dependent upon beef, cotton, lamb, oil, and potash; subjects under discussion before your committee. Urge you and your committee favorably recommend passage of the pending legislation for import quotas in order for domestic producers to make intelligent economic decisions and match demand with supply. We are tired of seeing our capital exported to develop other nations at the expense of domestic industry.

E. LEE FRANCIS,
Lieutenant Governor of New Mexico.

LOS ANGELES, CALIF.

Re Hearings on quota bills.
Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Foreign Trade Association of Southern California represents firms and individuals engaged in the substantial foreign trade that moves through the great ports of California. Members are exporters, manufacturers, importers, shipping lines, airlines, banks, merchants, customhouse brokers, and traders.

In 1966, more than $4.5 billion worth of goods were shipped through California—the Nation's largest trading State. Representing over 8 percent of total U.S. trade, exports totaled $2.3 billion while imports amounted to $2.2 billion.

The entire membership of this association is dismayed by the threat which the various quota bills now before the Senate Finance Committee pose to California's trade and, indeed, its economy. We request that the Committee reject both the specific commodity bills and generalized quota proposals which are intended to establish procedure for rigid controls on imports. Both because of the direct curtailment of imports which they would impose and because of the inevitable retaliation against American exports to which they would lead, these bills threaten, not simply foreign trade in the abstract, but the jobs and livelihood of American citizens and the economic health of American businesses.

Last year alone California shipped abroad $216 million worth of machinery, more than $205 million of aircraft, $101 million worth of chemicals, and $152 million worth of various other manufactured products. In addition to $117 million of foods and feeds, $77 million worth of raw cotton, and over $68 million worth of metal ores and scrap.

We are concerned that exports from the United States, a significant percentage of which are from California, will be seriously jeopardized by positive action on protectionist legislation. This concern is realistic. Countries and companies which cannot earn dollars by selling to the United States will be little inclined to spend dollars here to buy American goods. And governments which have negotiated trade agreements with the United States under the aegis of the General Agreement on Tariffs and Trade have, of course, every right to retaliate against American imports. Although not for all goods, for most goods produced in the United States there are alternative sources of supply, and it must be expected that suppliers in Europe or Japan or Australia or Mexico or Canada are ready, willing, and able to sell most of their products to this country's present trading partners.

As Ambassador Roth has pointed out, enactment of single or multicommodity quota bills would open the door to retaliation against $3.5 billion in American exports. That is a heavy price to pay for the sake of insulating sectors of the American economy from competition from other countries. To members of this association it is a most serious price, because it is the importers and exporters, the shipping lines and the banks, the merchants, and the traders who will pay the price in retaliation—not the industries for which protection is sought.

The membership of this association can conceive of nothing that would justify such a departure from U.S. trade policy. This policy has been successfully pursued now for over 30 years. It has recently culminated in the Kennedy Round.

To jettison the results of the Kennedy Round before it has even gone into effect would be a wantonly destructive act which will not serve even the interests of the specific groups that are pressing for protection.

The Foreign Trade Association of Southern California urges this committee to disapprove of the protectionist bills which are now pending or which may later come before it. It urges the committee to make known its disapproval clearly and unmistakably. This is not the time, and this should not be the country, to adopt economic isolationism.

Respectfully,

LEW E. COPPERSMITH,
President, Foreign Trade Association of Southern California.

(The following letter is submitted for the Imported Hardwood Products Association, Inc.:)

REEVES, HARRISON, SAMS & REVERCOMB,
Washington, D.C.

Re consideration of import quota legislation.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is written on behalf of the Imported Hardwood Products Association (IHPA), World Trade Center, San Francisco, California. The IHPA is a trade association comprising some 55 regular members engaged in the importation and distribution of hardwood products of all types, especially hardwood plywood, and some 50 associate members concerned with servicing the imported hardwood products trade and with the use of such products in the United States.

On the average, about 50 percent of all hardwood plywood consumed in the United States is imported in unfinished form from abroad. Much the greater part of the import total comes from Japan, Taiwan, Korea, and the Philippines. Accordingly, the various proposals for general import quota legislation now before the Finance Committee are of vital concern to the members of the IHPA and to the overseas plywood producers and exporters.

It is not clear from the available information precisely what is contemplated to be introduced by way of general import limiting legislation. It has been stated that the Committee is considering approving a legislative proposal which would authorize the imposition of import quotas or other import restrictions when the volume of imports should exceed 5 percent of the domestic production of competing products. Presumably, the quota levels, once authorized, would also relate in some fashion to the 5 percent criterion.

Such would be indeed a stringent restriction. Such would require indeed a compelling justification, particularly in view of the damage to U.S. exports which would be certain to follow retaliatory measures by other affected countries.

In the case of imported hardwood plywood, no such compelling justification exists for limiting imports. A significant secondary processing industry based on imported hardwood plywood has grown up in the United States. The raw material base of veneer quality hardwoods in the United States is not adequate to supply even the short-term demand, and even less the long-term demand. Any restriction of imports of hardwood plywood would simply deprive the consuming public of products which the domestic industry cannot supply.

Most imported hardwood plywood enters the country in the form of either doorskins or stock panels. Doorskins are thin sheets of plywood especially fabricated to be used as faces on flush doors produced in the United States. Stock panels are intended for use as interior decorative panelling in homes and commercial buildings. Remaining imports of hardwood plywood go into furniture manufacture and various other cut-to-size applications.

Imported hardwood plywood doorskins constitute the basis of an extensive flush door manufacturing industry in the United States. The United States Tariff Commission estimates that only about 10% of total domestic production of hardwood plywood is in the form of doorskins. In contrast, the relative quantity of imported hardwood plywood in doorskin form is much greater, possibly as high as 40%, which strikingly illustrates the extent to which the domestic door industry is based upon imported hardwood plywood as its prime material.

The extent of domestic employment and value thus created and sustained by imports of hardwood plywood doorskins may readily be seen by comparison of the Census of Manufacturers of 1958 and of 1963. The category Wood doors, panel,

flush and other, lists 295 firms engaged in the manufacture of such doors in 1958 and 377 such firms in 1963, an increase of 28%. Total employment in the door industry increased from 16,984 to 18,796, an increase of 11%. Total payroll in this industry increased from $69,645,000 to $88,929,000, an increase of 28%. It is important to note that the value added in the United States in the manufacture of doors, principally from imported hardwood plywood doorskins, amounted to 62% of the cost of materials in 1958 and 61% in 1963, which points up the important participation of American labor in this line of manufacturing.

Some 65% of domestic hardwood plywood production consists of stock panels used for wall panelling. About 50% of imported hardwood plywood goes to the same end-use. Nowadays, practically all stock panels are sold to end-users in prefinished form, that is, factory finished with clear lacquer, varnish, or printed or overlaid in one fashion or another. Most imported hardwood plywood stock panels enter the country in raw form. There is an important processing industry engaged in prefinishing or printing imported plywood stock panels. We do not have available any figures on employment in that industry but know from the volume of plywood that such employment is substantial and that the figures if known would display the same pattern as evidence above in the case of imported hardwood plywood doorskins.

Some domestic manufacturers will suggest that if there were no imports of hardwood plywood, domestic production would fill the void. Such would *not* and could *not* be the case. The raw material for domestic hardwood plywood in the types and price ranges needed in the markets supplied by imports is simply not available from domestic sources. There is a relative shortage of desirable hardwood veneer material in the United States and the prospects for amelioration of that shortage are not very promising. The United States Forestry Service recently conducted a study of wood resources of the United States in relation to anticipated demand (*Timber Trends in the United States*, 1965, Forest Resource Report No. 17), which estimated that the demand for hardwood veneer products, which means chiefly plywood, will have increased 221 percent by the year 2000. In contrast, in his official statement, Mr. Dwight Hair of the Forest Service said: "the cut from hardwood trees above 15 inches in diameter is projected to fall from 52 percent of the total cut in 1962 to 33 percent by 2000. Thus to meet projected demands for hardwood veneer and plywood we must either increase imports or improve timber management practices and technology to the point where domestic mills can supply the projected needs from domestic forests".

In fact, the domestic hardwood plywood industry is suffering not at all from import competition. In fact, the domestic industry is going full blast. A review of the trade press for 1966 alone indicates the establishment of at least eleven new hardwood plywood or veneer facilities. For example, the Weyerhaeuser Company is reported to have opened a new hardwood veneer plant at Ridgway, Pennsylvania, during 1965. The Evans Products Company has under construction a plywood and prefinishing plant at Chesapeake, Virginia, which is reputed to be the largest such integrated establishment in the world. The Atlantic Lumber Company is reported to have a new veneer mill under construction at Indian Trail, North Carolina, scheduled to go into operation in 1967. The Spencer Veneer and Plywood Corporation is scheduled to open a new veneer facility at Spencer, Iowa, in 1966. The American Face Veneer Corporation, new veneer mill, Shelbyville, Indiana, in 1966. The Dean Company, a new veneer mill, Princeton, West Virginia, 1966. Helms Veneer Company, new veneer mill, Rocky Mountain, Virginia, 1966. Whittle Plywood Company, new plywood mill, Chatham, Virginia, 1966. Ingalls Veneer, new veneer mill, Ft. Lauderdale, Florida, 1966. Thiesing Veneer Company, new veneer mill, Mooresville, Indiana, 1966. Virginia Plywood Company, new plywood mill, Danville, Virginia, 1966.

Such active expansion of existing capacity for manufacture of domestic hardwood plywood merely illustrates the sound health of the domestic industry and its complementary relationship with the imported hardwood plywood industry.

The reduction or elimination of imports of hardwood plywood, by quotas or otherwise, would not contribute any appreciable benefit to the domestic hardwood plywood industry, since that industry would not have the raw material base to fill the resulting import [illegible] and would in fact eliminate a substantial processing industry and a great [illegible] jobs of American workers.

We hope that the Committee will consider carefully both these direct implications of restricting hardwood plywood imports and the indirect implications such as substantial increase in cost to American consumers, reduction of Ameri-

can exports to the affected countries, etc. We hope that the Committee will concur that there is no justification for restricting the importation of a hardwood plywood.

Yours truly,

MYRON SOLTER,
Attorney for the Imported Hardwood Products Association, Inc.

EL DORADO, TEX.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: Please accept my sincere appreciation for your committee's efforts on behalf of the American people as a whole, and the American producer and business man in particular.

It is my earnest hope that your efforts will result in firm and seriously needed curbs on imports of *beef, woolen fabrics, and oils,* all vital products of our Southwestern area, and all seriously endangered by the sharp and continued importation of these commodities from foreign sources.

We often get the feeling that the present administration is working on behalf of foreign interests exclusively with no consideration left for our own people. The desperate effort exemplified by the parade before your committee this week of the Secretaries of State, Agriculture, Commerce and others, and their resulting pleadings for continued destruction of American business through continued unlimited imports is ample evidence of the point I attempt to make. It would not be in character for any of these representatives to admit that this great country was sorely out-traded in the recent Geneva Conferences.

Please extend my appreciation to your able colleague, Senator Everett Dirksen, for his presentation of some of the problems of this land resulting from governmental attitudes which have stifled private enterprise such as his recent reference to the closing of numbers of textiles mills in Appalachia which has resulted in severe economic depression.

Your excellent and continued service to our country is deeply appreciated.

Yours truly,

ED MEADOR.

NEW YORK, N.Y.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: As a former director of the international division of a large world-wide American company and presently a consultant to industry, I would like to take this opportunity to express my extremely serious concern with the present trend to negate the Kennedy Round by protectionist groups whose motives are obviously selfish and can wreak untold harm to our American economy.

Raising our tariff rates in any category would, in my opinion, cut down our international trade which runs well into the billions of dollars and only produce retaliatory action on the part of other countries.

This, in turn, would produce a vicious cycle and not only undo the present growth of our economy and seriously destroy our own business confidence in the future but also completely contradict the whole principle of the Kennedy Round at a most crucial time.

I sincerely trust that your committee and yourself are thoroughly aware of the disastrous consequences of such import quotas that are being fostered by powerful lobbies and that you will take the necessary steps to thwart such a procedure. I feel all the more concerned about this matter as a registered Democrat of many years standing.

Sincerely yours,

ERNEST A. MARX.

MUSKEGON, MICH., *October 20, 1967.*

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Our Association of American Port Authorities, filing statement in support of liberalized trade and against import quota legislation this week. Understand hearings on quota legislation this week. These quota bills will have serious adverse impact on favorable results of Kennedy Round resultihg in retaliation against our exports to other nations.

C. B. JONES,
Port Director,
Muskegon County Board of Harbor Commissioners.

WASHINGTON, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

The Massachusetts Port Authority respectfully files opposition to the import quota legislation now under consideration by your committee. We seriously doubt that any good purpose would be served by imposing such restrictions at this time. On the contrary, we believe that passage of this legislation would have retaliatory effects and would seriously endanger the successful results of the Kennedy Round.

EDWARD J. KING,
Executive Director, Massachusetts Port Authority.

LOS ANGELES, CALIF.

Senator RUSSELL LONG,
Washington, D.C.:

I do not support your tentative restrictive legislation on imports.

JOSEPH INGBER.

AMERICAN KOYO CORP.,
Cleveland, Ohio.

Hon. RUSSELL LONG,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR LONG: As importers of merchandise from Japan, we are becoming increasingly concerned about the protectionist cloud that is gathering over Washington. We regard it as a real threat to international trade.

Specifically, we oppose the efforts presently being made to impose new quotas on imports. We believe imposition of quotas will:

1. Undermine confidence in the U.S. all around the world.
2. Bring on world-wide reprisals from U.S. trading partners.
3. Expose the U.S. to serious questions about its intent in the Kennedy Round.
4. Seal off all benefits to U.S. consumers that were gained in the Kennedy Round.

One of the U.S. objectives is to promote more "togetherness" among the peoples of the world. Surely it cannot be done with import quotas. We urge you to oppose the protectionist movement.

Sincerely yours,

KENNETH E. THORP,
Vice President and General Manager.

'S GRAVENHAGE.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee, Washington, D.C.:

The American Chamber of Commerce in the Netherlands is deeply concerned about the development of protectionist legislation currently before Congress. We condemn the proposals as being in complete contradiction to the Trade Expansion Act. The tariff reductions so painfully negotiated under the Kennedy Round will be dangerously threatened inevitably resulting in retalia-

tory actions from the entire free world. We respectfully address this protest to you and request that you make our position known to the members of your committee.

H. POUTSMA,
General Manager,
(For the President).

GULFPORT, MISS.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee, Washington, D.C.:

On behalf Gulf Ports Association we strongly urge support for liberalized trade and against import quotas. In our opinion quota bills would have adverse impact on favorable results on Kennedy Round thereby affecting each member port's ability to increase international commerce.

EDWIN A. STEBBINS,
President, Gulf Ports Association.

BORG-WARNER CORP.,
Chicago, Ill.

Senator RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I strongly urge you to oppose bills imposing limits on imports of commodities.

In my judgment, such artificial restrictions will, in the long term, work against the best interests of American business, labor and particularly the American consumer.

We ask for a fair chance to compete for markets in foreign countries. It is only reasonable that we must offer foreign producers this same opportunity here. In recent years, this type of interchange has become increasingly important to manufacturers in this country. It plays a significant role in employment and income. If we are to continue to prosper in this area, artificial restrictions must be reduced wherever possible.

I appreciate the fact that there are those who argue for such quotas and restrictions in specific industries; but I urge you to examine the overall benefits which the easing of restrictions on foreign trade has brought to all of us.

Sincerely,

ROBERT S. INGERSOLL, *Chairman.*

BENTLEY COLLEGE OF ACCOUNTING & FINANCE,
Boston, Mass.

Hon. Mr. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I am appalled at the current protectionist drive in the United States Congress. For more than twenty years this country has attempted to reduce restrictions in the flow of international trade. It would be indeed a dismal failure on the part of the US policy to hamper this trend for free trade.

Mr. Chairman, I should not repeat the arguments for free trade, because they are well known and I'm sure that you know them well.

I urge you, as a private citizen, to do whatever is in your power to stop any protectionist measures that may be before you at this time. What the country needs least is protectionism.

Sincerely,

ALEXANDER ZAMPIERON,
Assistant Professor of Economics.

TOKYO.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.:

Although the American Chamber of Commerce in Japan understands the reasons for the growth of protectionist sentiment in the United States, we feel

strongly that any legislative action which would result in the restriction of free trade would not serve the best interests of the United States. The United States through the positive steps it has taken in connection with the Kennedy Round and GATT in support of freer trade between nations has established a position of leadership and goodwill which we feel would be seriously jeopardized by restrictive legislative action. Therefore, we urge that discussions among representatives of the nations concerned be conducted to find equitable solutions, outside the legislative process, to the problems which have given rise to the proposed import restrictions.

ALBERT H. ZINKARD,
President, American Chamber of Commerce in Japan.

STATEMENT OF AMERICAN WALNUT MANUFACTURERS ASSOCIATION ON PROPOSALS TO PROVIDE ORDERLY INTERNATIONAL TRADE BY IMPOSITION OF QUOTAS

It is respectfully and urgently requested that the legislation which it is hoped this Committee will recommend to authorize imposition of quotas, be made applicable, not only to imports, but also to exports of any commodity being exported at an abnormal level which causes a disruption in the supply of such commodity for use by domestic industry.

Black walnut logs, other black walnut in unfinished form, and other forest products such as softwood from the Northwest, are commodities which are being exported at an abnormal level with resulting disruption of the domestic supply.

It is urged that in the proposed quota legislation which provides three tests for triggering imposition of quotas, a fourth test be inserted, as follows, which would authorize imposition of export quotas:

"The exportation of such goods during the most recent five-year period for which data are available in quantities at least 50 percent greater than in the previous five-year period and causing a disruption in the supply of such goods for use by domestic industry."

Other minor revisions in the language of the quota legislation should also be made, (a) to make it applicable to exports as well as imports, and (b) to make clear it would be applicable to raw materials as well as finished products.

BACKGROUND

For a number of years American producers of black walnut veneer and lumber have been increasingly concerned about the excessive drain, especially for export, of the supply of walnut logs.

Walnut trees are slow growing. A walnut tree reaches suitable maturity for top veneer quality only after 60 or 70 years. Black walnut grows only in the United States and Canada, and its important commercial range is limited principally to the six Central States of Illinois, Indiana, Iowa, Kentucky, Missouri and Ohio.

By 1961, it was estimated that if the rate of heavy cutting of veneer quality walnut trees continued, the supply would be exhausted in less than 10 years.

On November 14, 1961, the American Walnut Manufacturers Association, on behalf of the domestic walnut veneer industry, filed with the Department of Commerce a formal request that controls be placed on export of black walnut logs from the United States in accordance with the terms of the Export Control Act of 1949.

The request showed that the volume of exports of walnut logs increased by more than 1,500 percent between 1954 and 1960 and the average price per 1,000 feet for logs for export increased by 97 percent during the same 6-year period.

The request for controls also pointed out the following:

1. In the period 1954–60, consumption of veneer quality walnut logs by domestic veneer producers increased 3.18 times while the volume of exports increased 17 times. Had the rate of increase in export paralleled that for domestic consumption the 1960 export figure would have been approximately 2 million board feet, instead of the actual 1960 export total of over 10 million feet. Two million feet was suggested by the applicants as a reasonable annual export quota.

2. The companies engaged in the production of walnut veneer have a total aggregate investment of approximately $20 million in plant facilities and employ more than 2,000 people at a total labor cost of approximately $12 million

annually. The average walnut veneer producer is a small businessman with an investment of approximately $900,000 in slicers, lathes, and driers, 100 employees and an annual payroll of approximately $550,000.

During a period of over two years after the request for controls was filed, the Department of Commerce held numerous hearings and conferences and extensive supplemental information was furnished.

Exports on walnut logs increased from 2¼ million board feet in 1958 to 10½ million in 1962 and well over 14 million in 1963. In 1962, domestic use and exports combined were nearly twice indicated growth as reported by the Forest Service.

On February 14, 1964, then Secretary of Commerce, Luther Hodges, put into effect for one year a program "to protect the rapidly diminishing supply of United States walnut timber by slowing down export and domestic consumption of walnut logs." The February 14, 1964, order provided as follows:

"As a means of achieving the requisite cut in domestic consumption of walnut, the associations of veneer manufacturers and users have agreed to revise the commodity standards for hardwood plywood to provide for use of thinner face veneers. Specification changes by Federal and industrial purchasers in line with the revised commodity standards are expected to result in a substantial reduction of the veneer industry's requirements for walnut logs."

In order to achieve a reduction in domestic use, major veneer manufacturers embarked upon a voluntary program of reducing the standard thickness of veneer from one twenty-eighth of an inch to one thirty-sixth of an inch. This reduction caused much technological adjustment and many complaints from customers but the veneer manufacturers stuck to the program, unpopular as it was with some of their customers, in a sincere, determined effort to comply with the condition (domestic reduction) attached to the export quota.

The program was remarkably successful in reducing both export drain and domestic consumption as shown by the following million board feet figures:

	Export	Domestic
1. 1961-62 average use as estimated by Department	8.5	17.5
2. 1963 actual	14.3	23.5
3. What 1964 would have been without controls assuming continuance of average annual increase	18.0	26.0
4. 1964 actual with controls	7.3	19.5

On February 12, 1965, the new Secretary of Commerce, John Connor, announced that he would not extend export controls of walnut logs.

NEED FOR NEW LEGISLATION

The Department of Commerce has adopted the position that the Export Control Act is not applicable to the walnut export problem because the Act was intended to apply only to situations of temporary shortage of supply and not to long term shortages. *Department of Commerce officials have stated that new legislation will be required if quotas are to be imposed on export of walnut.* The quota proposals now pending before this Committee provide a logical opportunity with only some minor revisions, to provide new legislative authority which the Department of Commerce insists it needs if the walnut export crisis is to be solved.

Walnut is "the king of veneers" in furniture manufacture. The cost of the veneer in an average item of walnut veneer furniture is only 2 to 3 percent of the wholesale price of that furniture—but this 2 to 3 percent is what makes the furniture unique and notably salable and popular. In 1964, approximately $36 million worth of walnut veneer was sold. Most of this goes into furniture which means this veneer was used in nearly $1 billion worth of furniture.

American furniture manufacturers have been active with plans to greatly increase export of furniture made with walnut veneer. In the long run the abandonment of controls will prevent large-scale export of such furniture and will unfavorably affect the American balance of payments.

Since extinction of walnut logs would result in reliance on importation of replacement woods, the long-range effect of uncontrolled export would be further damaging to the balance-of-payments position.

Also, the export of walnut decreases the opportunity for the domestic walnut furniture producers, since it provides their foreign competitors with the resources needed to compete effectively. The export of furniture is highly desirable

compared to the export of raw logs. The effect of the export of a piece of furniture compared to that of a log is that there is represented in the furniture approximately 30 times the value of the wood needed to produce the veneer in it.

QUOTAS ON EXPORTS OF NATIVE HARDWOODS ARE A WORLD PATTERN

By dropping export controls on black walnut, the United States is out of step with the other hardwood source countries of the world. Almost without exception these other countries have tough restrictions on exporting their choice hardwoods in unprocessed log form.

These other countries, quite sensibly, insist that their native hardwoods be processed by local labor before being shipped out. That not only helps their employment picture but it means exporting a higher value product with a resulting boost to that country's balance of payments.

SITUATION ON OTHER FOREST PRODUCTS

There is a rapidly worsening shortage of all native American hardwoods and the abnormal exports of walnut are making the overall problem more serious.

There is a comparable problem in the Northwest because of the inadequate supply of softwood available to American lumber producers. This short supply situation has made them subject to damaging foreign competition. Determined efforts have been made to convince the Federal government to increase the availability of softwoods from National Forests but, again, no help for this steps to protect American industry, is damaging American labor by exporting American industry has been forthcoming from Washington.

This refusal, in the walnut and softwood situations, to take the necessary jobs.

THE PROPOSED AMENDMENTS TO THE QUOTA LEGISLATION

Proposals for import quotas pending before this Committee set up three tests for determining whether quotas are needed. This is done by providing that "failure of existing import duties to exert a significant regulatory effect on imports" of particular commodities can be shown by—

(1) specified increases in imports including "an increase of 50 per centum in the share of the domestic market accounted for by imports during the most recent five-year period for which data are available," or

(2) "An increase in imports at a rate averaging 10 per centum per year or more during such five-year period" or

(3) importation at costs more than 10 per centum below the domestic wholesale price.

It is urged that a fourth test be included as follows:

The exportation of such goods during the most recent five-year period for which data are available in quantities at least 50 percent greater than in the previous five-year period and causing a disruption in the supply of such goods for use by domestic industry.

(Total exports of walnut logs in the five years 1962–66 inclusive were 70.5 million board feet, which is 185 percent higher than the total exports of 24.7 million board feet in the five years 1957–61 inclusive. Exports have caused serious disruption in the supply of walnut available for domestic industry.)

The only other amendments in the proposed quota legislation which would be required would be as follows:

a. After the words "failure of existing import duties" quoted above, insert "and export policies".

b. After the words "significant regulatory effect on imports of goods like or competitive with domestic products" insert "or on exports which cause disruption of the domestic supply of such goods."

c. Thereafter wherever the words "imports" or "imported" are used, insert thereafter, as appropriate, "or exports" or "or exported," as appropriate.

d. Wherever the words "may be entered" are used insert before them the words "may be exported or."

e. Insert in title of the bill after the words "manufactured products" the words "raw materials".

CONCLUSION

The proposed amendment, to protect against abnormally high volume of exports of commodities in long-term short supply, is an essential part of correcting inequities in international commerce and restoring orderly trade.

AMERICAN WALNUT MANUFACTURERS ASSOCIATION,
By DONALD H. GOTT,
Executive Director and Secretary.

WASHINGTON, D.C.

Hon. CLINTON P. ANDERSON,
U.S. Senate, Washington, D.C.:

We respectfully request that this statement be made part of the record in hearings now being held by the finance committee on import quota legislation. This statement is submitted on behalf of the U.S. chemical industry by the Manufacturing Chemists' Association (MCA) and the Synthetic Organic Chemical Manufacturers Association (SOCMA). The MCA is a trade association with 184 U.S. member companies representing more than 90 percent of the basic chemical manufacturing capacity in the United States. SOCMA is an association of producers of benzenoid chemicals with 74 member companies. In 1966 the chemical industry in the United States employed more than 965,000 persons and operated over 14,000 plants in 49 States. The U.S. chemical industry believes that the Finance Committee in these hearings is considering one of the most important and serious problems facing U.S. industry. The problem of disruptive imports in general, affecting all U.S. industry and threatening the U.S. chemical industry in particular because of low wage foreign competition and low cost of foreign raw materials. Under the Kennedy Round, American chemical tariffs have been reduced approximately 50 percent and those of our European trading partners approximately 20 percent. The so-called ASP separate package would further reduce certain chemical tariffs and would abolish the American selling price method of customs valuation. Thus, the U.S. chemical industry faces serious economic adjustment problems as a result of the Kennedy Round tariff reductions and the proposed implementation of the so-called ASP separate package. We therefore strongly urge the Finance Committee to recommend legislation applicable to all industries designed to provide foreign nations with fair access to the U.S. markets, but at the same time to prevent disruption of those markets by imports and to mitigate the serious economic adjustment problems faced by industry following the Kennedy Round tariff reductions. The various import quota proposals for specific commodities being considered by this committee are designed to deal with these problems in the particular industries. We urge strongly that legislation recommended by this committee should be broad enough to deal with the injury or threat of injury from imports to the U.S. chemical industry as well as the other industries now being heard by this committee.

MANUFACTURING CHEMISTS' ASSOCIATION, INC.
By GEN. GEORGE DECKER (Retired), *President.*
SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION,
By JAMES D. MAHONEY, *President.*

U.S. WOOD SCREW SERVICE BUREAU,
New York, N.Y.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: On behalf of the domestic manufacturers of Wood Screws, we submit herewith, in quintuplicate, for inclusion in the record of the Import Quota Hearings being conducted by your Committee, a statement describing in detail the acute need for a quota on wood screws to prevent the complete annihilation of the domestic Wood Screw Manufacturing Industry. Statistical data attached indicates how foreign manufacturers of Wood Screws have already taken a substantial portion—over 50 percent—of the domestic market and that imports of wood screws are continuing to rise.

Your prompt consideration of this appeal will be greatly appreciated.

Yours very truly,

GEORGE P. BYRNE, Jr., *Secretary.*

THREATENED ANNIHILATION OF WOOD SCREW INDUSTRY

This appeal for legislative aid in the form of a quota on Wood Screw imports is made in behalf of the domestic manufacturers of Wood Screws whose names and addresses appear on the list appended to this statement, and who comprise an industry which has been progressively weakened by low-wage costs imports for more than 30 years. This attrition by imports has, since 1954, increased to a point where imports now threaten to completely annihilate the domestic Wood Screw Industry.

Although imports were very small in all periods prior to mid-1950, in the second half of 1950, imports averaged 737,000 gross per quarter and then rose to 1,451,000 gross per quarter in the first half of 1951. After the tariff had been further reduced from 15 percent to 12½ percent ad valorem, pursuant to the trade agreement concession, effective June 6, 1951, imports reached a record peak of 1,776,000

gross in the third quarter of that year. Beginning in early 1955, Wood Screw imports again surged to new highs and continued on the uptrend until today over 50 percent of the U.S. market has been taken over by imports.

The above statements are substantiated by the following data attached to this statement:

Chart showing annual trend of "Imports of Wood Screws into U.S.A." (1928–1966).

Table showing percent of USA market obtained by U.S. Manufacturers and Imports (1928–1966).

Table showing percent of USA market obtained by various importing countries during years 1964, 1965 and 1966.

EFFECTS OF LOWER IMPORT DUTIES

Despite evidence of a rise in the trend of imports and over the vigorous protests of U.S. producers, the U.S. import duty rates on Wood Screws were in 1951 lowered from 15 percent ad valorem to 12½ percent ad valorem. After that, imports rose steadily and more rapidly to a point where they now have usurped, as indicated above, more than 50 percent of the wood screw market.

INJURY FROM IMPORTS TWO-FOLD

The heavy flood of imported Wood Screws entering the U.S. in recent years resulted in the closing of a number of Wood Screw manufacturing plants and the substantial loss of jobs by American employees. Evidence of this is shown in the decrease in the number of Wood Screw manufacturing plants operating in January 1956 totaling about 16, as compared with approximately 10 Wood Screw manufacturing plants actively producing wood screws today.

IMPORTERS' TARGET: "THE HEART OF THE LINE"

In their gradual "take-over" of the American Wood Screw market, foreign producers have chosen the "heart of the line" sizes and types of wood screws to export to the United States. Having gained a strong foothold from coast to coast in the U.S., *importers now have large warehouses established in key American cities well stocked with all sizes and types of Wood Screws for which there is the greatest demand.* The substandard and little used items are left for the U.S. manufacturer to supply.

UNFAIR COMPETITIVE ADVANTAGE OF IMPORTERS

One of the reasons why foreign producers of Wood Screws have been able to gain a strong grip on the American market is the unfair advantage over the American manufacturer they enjoy in the matter of labor costs. While, as indicated in the attached table marked "Table D", average hourly earnings of employees in the domestic Wood Screw Industry amount to $2.915, Japanese wood screw producing plants are paying only about 54 cents an hour for wages plus fringe benefits, as indicated in the attached report of the Trade Relations Council, New York City marked "Table E". The lower wage rates of foreign countries, including Japan and Hong Kong, enable foreign producers of wood screws in such countries to sell wood screws in the U.S. for up to 60 percent below the prices at which American wood screw producers can market their products at a profit. This advantage naturally gives foreign producers great leverage in selling wood screws in the U.S., which imported screws, in most cases, meet U.S. specifications and quality standards.

JAPAN AND HONG KONG LARGEST EXPORTERS TO U.S.

As indicated in the attached table showing percent of USA market obtained by imports, Japan is by far the largest exporter of wood screws to the United States, with Hong Kong ranking second and the United Kingdom third. As also will be noted, Iron Country countries, such as Poland, Yugoslavia and Austria are now beginning to export wood screws to the U.S. It is now common knowledge that Japan has in recent years built up a large chain of warehouses and a large network of outlets for the marketing of wood screws in the U.S. This, while the domestic wood screw producers have been curtailing their operations and, in some cases, closing their plants.

WOOD SCREW IMPORT SITUATION TYPICAL OF WHAT IS HAPPENING IN SCREW MANUFACTURING INDUSTRY

The deplorable conditions in the Wood Screw Industry resulting from imports are typical of what is happening in all other branches of the Screw Manufacturing Industry. Although Government statistics are available only on Wood Screws, imports of Machine Screws, Cap Screws, Socket Screws, Tubular Rivets, Machine Screw Nuts, Tapping Screws and Locknuts have been increasing substantially during the past ten years. Unless steps are taken to curb imports of these prod-

ucts, those segments of the Screw Manufacturing Industry also will be faced with plant shutdowns and unemployment in the very near future.

PREVIOUS APPLICATIONS FOR RELIEF OF NO AVAIL

Three previous applications for relief under various laws and regulations for "escape" and relief from serious damage have been filed with the U.S. Tariff Commission in behalf of domestic wood screw manufacturers by the U.S. Wood Screw Service Bureau. Two of these were denied by the Commission. *In the third Tariff Commission investigation instituted in February 25, 1954, three members of the Commission recommended to the President an absolute quota of 2,800,000 gross annually and three members opposed relief to the industry.* The President in a statement, dated December 23, 1954, denied relief of any kind to the domestic wood screw industry. Subsequently another initial application for relief under the Escape Clause of the Trade Expansion Act of 1963 was filed with the U.S. Tariff Commission, but was withdrawn when it was found that because of the attitude of the Administration, few, if any, such applications for relief were being granted.

ABSOLUTE QUOTA THE ONLY SOLUTION

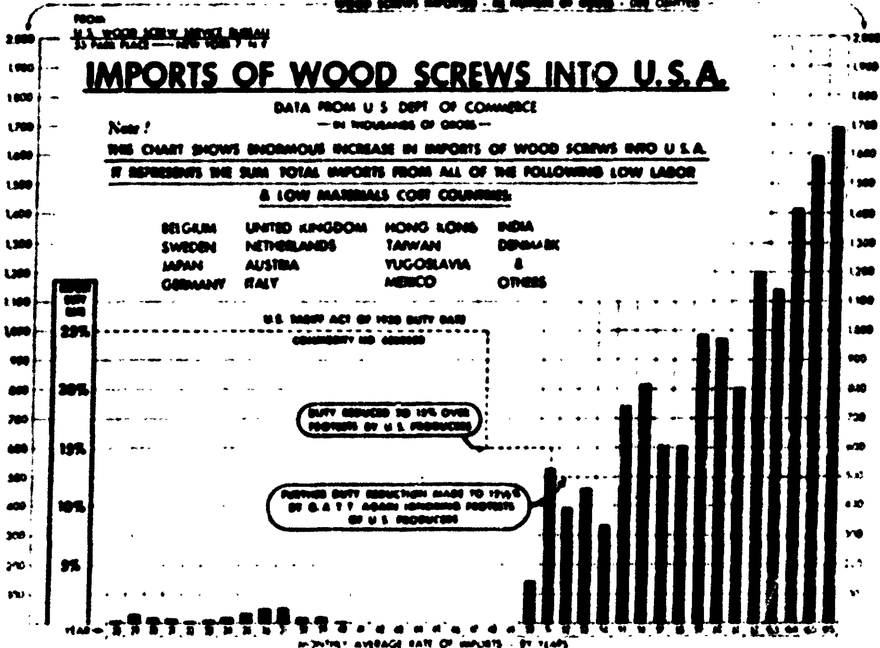
In view of all the circumstances and conditions outlined above, and because of the threatened extinction of the wood screw manufacturing industry of the U.S., the domestic wood screw manufacturers are convinced that the only logical remedy for this critical situation is the placing of an absolute quota on imports of wood screws entering the U.S. We, therefore, respectfully and urgently appeal to the Committee on Finance of the U.S. Senate to support the enactment of legislation which would provide for a quota on wood screws to become effective immediately and which would place an embargo on all imports of wood screws into the U.S. until such time as imports of wood screws amounted to less than 10 percent of the total consumption of wood screws in the United States.

This statement is respectfully submitted in behalf of the following domestic manufacturers of Wood Screws:

Continental Screw Company, New Bedford, Mass.; Elco Tool & Screw Corp., Rockford, Ill.; Keeler Brass Company, Grand Rapids, Mich.; National Lock Company, Rockford, Ill.; Reed & Prince Mfg. Co., Worcester, Mass.; Rockford Screw Products Co., Rockford, Ill.; Screw & Bolt Corp. of America, Southington Plant, Southington, Conn.; Southern Screw Co., Statesville, N.C.; Whitney Screw Corp., Nashua, N.H.

DOMESTIC WOOD SCREW MANUFACTURERS NEED AN IMPORT QUOTA NOW IN ORDER TO SURVIVE!

MORE FACTORY CLOSINGS AND EMPLOYEE LAYOFFS IMMINENT!



TOTAL WOOD SCREW MARKET IN UNITED STATES—IN GROSS—ANALYSIS SHOWING PERCENT OF MARKET OBTAINED BY U.S. MANUFACTURERS AND IMPORTS

	Annual monthly average rate basis				(100 percent) U.S. market—
	U.S. producers' domestic shipments (gross)	Percent of U.S. market	Total imports coming into United States (gross)	Percent of U.S. market	Total, domestic and imports combined (gross)
Year:					
1928	4,900,829	99.84	7,879	0.16	4,908,708
1929	4,740,092	99.39	29,204	.61	4,769,296
1930	3,038,209	99.42	17,596	.58	3,055,805
1931	2,339,854	99.45	12,923	.55	2,352,777
1932	1,627,570	99.67	5,342	.33	1,632,912
1933	2,303,708	99.54	10,671	.46	2,314,379
1934	2,277,835	99.37	14,491	.63	2,292,326
1935	2,891,017	99.07	27,155	.93	2,918,172
1936	3,031,882	98.58	43,852	1.42	3,075,734
1937	2,654,333	98.20	48,782	1.80	2,703,115
1938	1,936,490	99.29	13,918	.71	1,950,408
1939	2,621,773	99.54	12,042	.46	2,633,815
1940	2,668,931	99.92	2,229	.08	2,671,160
1941	4,351,851	100.00	11		4,351,862
1942	3,812,598	100.00			3,812,598
1943	3,791,818	100.00			3,791,818
1944	3,247,862	100.00			3,247,862
1945	3,199,669	100.00	5		3,199,674
1946	3,936,848	100.00	41		3,936,889
1947	4,210,695	100.00	156		4,210,851
1948	3,637,110	100.00	57		3,637,167
1949	2,628,030	99.97	776	.13	2,628,806
1950	4,239,436	96.66	146,689	3.34	4,386,125
1951	4,365,027	89.21	528,214	10.79	4,893,241
1952	3,301,706	89.33	394,448	10.67	3,696,154
1953	3,578,088	88.61	460,141	11.39	4,038,229
1954	3,362,306	90.89	336,896	9.11	3,699,202
1955	3,147,195	80.88	744,026	19.12	3,891,221
1956	2,807,322	77.47	816,558	22.53	3,623,880
1957	2,408,141	79.91	605,489	20.09	3,013,630
1958	2,201,109	78.47	603,836	21.53	2,804,945
1959	2,454,731	71.35	985,537	28.65	3,440,268
1960	1,922,138	66.41	972,422	33.59	2,894,560
1961	1,930,188	70.57	804,826	29.43	2,735,014
1962	1,637,345	57.74	1,198,476	42.26	2,835,821
1963	1,419,717	55.33	1,146,422	44.67	2,566,139
1964	1,428,761	50.32	1,410,828	49.68	2,839,589
1965	1,489,656	48.34	1,592,144	51.66	3,081,800
1966	1,408,809	45.46	1,680,476	54.54	3,089,285

COUNTRIES IMPORTING WOOD SCREWS DURING YEARS 1964, 1965, AND 1966, WITH PERCENTAGE OBTAINED BY EACH COUNTRY OF THE TOTAL U.S. MARKET

No.		Annual total comparison basis					
		1964 (gross)	Percent	1965 (gross)	Percent	1966 (gross)	Percent
	(A) Total U.S. market (domestic and imports)	34,075,074	100.00	36,981,603	100.00	37,1[illegible]423	100.00
	(B) Domestic manufacturers shipments	17,145,138	50.32	17,875,872	48.34	16,905,708	45.46
1	Imports into United States	16,929,936	49.68	19,105,731	51.66	20,285,715	54.54
	By countries:						
2	Japan	12,083,908	35.46	12,163,369	32.89	11,464,993	30.83
3	Hong Kong	1,879,003	5.52	3,367,700	9.11	5,231,705	14.07
4	Belgium	512,867	1.51	325,072	.88	413,771	1.11
5	Canada	201,090	.59	209,271	.57	228,212	.62
6	Sweden	522,708	1.53	456,955	1.24	411,434	1.10
7	Germany	83,454	.25	26,655	.07	56,793	.15
8	United Kingdom	842,913	2.47	391,042	1.06	41,138	.11
9	India	2,778	.01	269,305	.73	622,294	1.67
10	Italy	3,911	.01	36,702	.10	30,689	.08
11	Austria	2,373	.01	3,919	.01	7,003	.02
12	Netherlands	None	------	None	------	None	------
13	Taiwan	498,746	1.46	798,402	2.16	1,182,069	3.17
14	Portugal	None	------	451,687	1.22	206,769	.56
15	Israel	156,245	.46	159,243	.43	206,593	.56
16	Yugoslavia	43,530	.13	39,450	.10	46,846	.13
17	Switzerland	200	------	701	------	1,225	------
18	France	14,069	.04	520	------	None	------
19	Denmark	903	------	7,356	.02	1,440	------
20	Poland	4,505	.01	397,366	1.07	29,800	.08
21	Mexico	52,256	.15	None	------	47,675	.13
22	Hungary	None	------	None	------	31,632	.09
23	Argentina	None	------	None	------	None	------
24	Outer Mongolia	24,479	.07	None	------	None	------
25	Korean Republic	None	------	1,007	------	None	------
26	Cyprus	None	------	None	------	23,625	.06
	Total imports	16,929,936	49.68	19,105,731	51.66	20,285,715	54.54

Source: U.S. Department of Commerce statistics.

AVERAGE HOURLY EARNINGS, INCLUDING FRINGE BENEFITS, IN MANUFACTURING IN THE UNITED STATES AND 12 FOREIGN COUNTRIES

[Production workers, male and female, unless otherwise noted]

Country	Earnings	Supplemental benefits as percent of earnings	Earnings plus fringe benefits
United States	$2.64	16	$3.06
Canada	1.98	16	2.30
Austria	.54	60	.86
Belgium	.85	31	1.11
France	*.61	51	.92
Italy	.64	74	1.11
Netherlands	*.70	30	.91
Norway*	1.36	31	1.78
Sweden	1.52	15	1.75
Switzerland*	1.11	15	1.28
West Germany	1.02	44	1.47
United Kingdom*	1.17	14	1.33
Japan	.47	15	.54

Source: Trade Relations Council of the United States, Inc., New York, N.Y.

Statement of the Service Tools Institute Before the Senate Finance Committee on Omnibus Provisions for Import Quotas on Hand Tools, Submitted by George P. Byrne, Jr., Secretary and Legal Counsel, Service Tools Institute, New York, N.Y.

I. INTRODUCTION

This statement is submitted to the Senate Finance Committee on behalf of 60 domestic manufacturers of Mechanics' Hand Service Tools. The Service Tools Institute, principal trade association of Mechanics' Hand Tool manufacturers, located at 331 Madison Avenue, New York, N.Y. 10017, was organized in 1935. A list of members is attached in a Directory marked "Appendix A".

(*Appendix A referred to was made a part of the official files of the Committee.*)

The Institute has submitted statements on behalf of the Industry to the Trade Information Committee in 1953, 1958 and 1962 concerning the industry's opposition to reductions in duty rates on hand tools at the GATT tariff negotiations following those years. In every instance, duties on hand tools have been reduced, and in the recent Kennedy Round of tariff cutting, all principal hand tool items were scheduled for reduction by 50 percent over the next four years, with the exception of slip joint pliers.

II. SUMMARY OF INJURY NOW OCCURRING FROM IMPORTS

During this period, imports of mechanics' hand tools have increased at an alarming rate. In the early 1950's hand tool imports were negligible but have risen to approximately 7 percent of the domestic industry sales at the present time. In the first 8 months of 1967, hand tool imports increased by 16.2 percent over the first 8 months of 1966. There is ample statistical data attached hereto and marked "Appendix B" which conclusively establishes the relatively high volume of hand tool imports today and the greatly accelerated rate of increase in imports each year over the past five years.

For the skeptics who say that this industry can well afford some imports and that the industry is just crying "wolf", we are attaching hereto a statistical chart showing what has happened to another metal working industry, namely, the Wood Screw Manufacturing Industry, where the U.S. Tariff Commission, as well as two Presidents, denied import quota relief during the past ten years. The Wood Screw Industry today is more than 50 percent eliminated and in ten years it is doubtful that there will be a Wood Screw Manufacturing Industry in the United States. A similar fate lies ahead for the Mechanics' Hand Tool Industry, which is essential, not only as an industry which provides more than 10,000 jobs, but also produces a product extremely critical and essential to national defense. The hand tool is the "link between man and machine". An industrial manufacturing country like the United States cannot safely exist without a strong, versatile and highly qualified hand tool manufacturing industry.

III. IMPORTS QUOTAS THE ONLY PRACTICAL RELIEF

While the total sales of domestic mechanics' hand tool manufacturers are in the neighborhood of $235,000,000 per year and the present imports are approximately $14,000,000 per year, or 7 percent of this total, the real injury occurs when it is realized that of the approximately 2000 hand tool items manufactured in the mechanics' hand tool industry, only 300 items constitute the "heart of the line". The "heart of the line" concept is most important in determining the seriousness of the injury and damage confronting American producers. Foreign producers do not supply the much needed short run specialized hand tools, which tend to be marginally profitable, but rather concentrate on the 300 item "heart of the line" area where the mass volume market exists. It is the contention of the domestic mechanics' hand tool manufacturers that if this portion of the market could be isolated and separated statistically, the percentage of imports and the loss of jobs reflected by the increasing imports would be much greater than the broad total figures which are submitted herewith. Foreign producers in Japan, Hong Kong, West Germany, Italy, etc. have equipped themselves with modern forging and hand tool manufacturing equipment as efficient as any used in the USA. With lower wage, fringe benefit, taxes and other costs, they are able, without difficulty, to participate disproportionately in the American market.

Only reasonable import quotas giving them regulated opportunities to participate in this market will save this industry from eventual major injury and extinction.

Accordingly, it is the plea of the mechanics' hand tools manufacturers that the Senate Finance Committee support and guide through Congress an "omnibus" import quota bill which will provide relief to basic industries, such as the hand tool industry, when certain conditions are found to exist. If the standards of injury or damage are reasonably set, the manufacturers in this industry believe that the products of this industry will qualify for reasonable import quota relief.

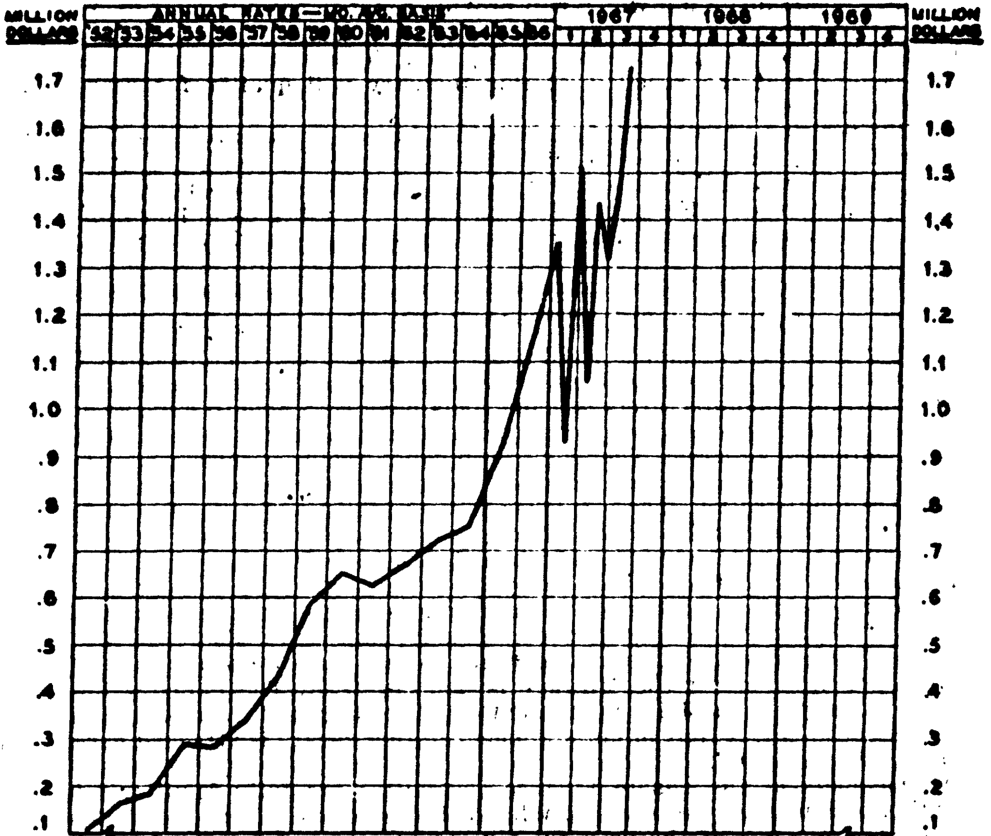
It is the position of tool manufacturers that import quotas are the only meaningful relief that can be given to this industry. While the erosion of duty rates negotiated in the GATT tariff cutting sessions undoubtedly has accelerated the import rate, the wide difference in foreign labor and other costs place domestic hand tool manufacturers at an unfair and unjustified competitive disadvantage.

IV. DISCRIMINATION AND INJURY EXTENDS EVEN TO INCONSISTENT BUREAU OF BUDGET BUY AMERICAN ACT POLICY

The purchase of mechanics' hand tools has been greatly accelerated by the Military through the General Services Administration for use in the Vietnam War. Individual manufacturers of hand tools have been able to observe at close range the rising impact of foreign tool procurement in the accelerated GSA Vietnam procurement program. They have been caught between inconsistent policies under the Buy American Act as between the Defense Department and the General Services Administration. These policies were established by the *Bureau of the Budget* presumably to favorably affect the balance of payments. However, the Tool Industry is adversely affected when the Defense Department may not procure imported hand tools unless the price is more than 50 percent below the lowest domestic price, while the General Services Administration is bound by the Bureau of the Budget ruling to make awards for imported tools where the lowest importers' price is only 6 percent below the lowest domestic price.

Most procurement for the Military is done by GSA. The industry has commented at length to the Joint Economic Committee on the Bureau of the Budget's inconsistent policy. A copy of our statement in that regard is attached hereto and marked "Appendix C".

All members of the Senate Finance Committee are fully familiar with the attrition of competitive economics. What will the domestic hand tool industry be ten years from now if the wasteful give-away policy of free trade continues? Reasonable import quotas administered by the Secretary of Commerce are the only answer. You can be assured that all of the 60 hand tool members of the Service Tools Institute will strongly support your action in this area.



ANNUAL TREND		MONTHLY TOTAL IMPORTS					
YEAR	MO. AVGE.	MO.	1965	1966	1967	1968	1969
1957	$ 367,453	Jan	$ 498,857	$1,129,435	$1,363,143		
1958	436,199	Feb	994,509	874,707	929,124		
1959	591,816	Mar	1,169,467	1,156,062	1,508,738		
1960	656,810	Apr	1,104,828	1,213,226	1,074,101		
1961	621,874	May	800,370	1,110,575	1,438,063		
1962	662,571	Jun	957,275	1,184,016	1,323,121		
1963	717,450	Jul	723,998	1,156,139	1,432,471		
1964	750,273	Aug	972,236	1,473,464	1,727,072		
1965	911,231	Sep	804,320	1,070,119			
1966	1,161,707	Oct	936,086	1,203,837			
1967		Nov	867,491	1,243,280			
1968		Dec	1,113,342	1,125,619			

EXHIBIT B

IMPORTS OF MECHANICS' HAND SERVICE TOOLS COMPARED WITH U.S. MANUFACTURERS' SHIPMENTS IN THE DOMESTIC MARKET—ANNUAL TOTAL VOLUMES, IN DOLLAR VALUE

[Imports data from U.S. Dept. of Commerce]

Year	U.S. manufacturers' domestic shipments	Percent	Imports into United States	Percent	Total domestic market in United States, 100 percent
1948	$74, 512, 086	99.8	$169, 320	0.2	$74, 681, 406
1949	60, 462, 104	99.7	153, 780	.3	60, 615, 884
1950	77, 917, 482	99.5	411, 864	.5	78, 329, 346
1951	99, 130, 508	98.9	1, 085, 172	1.1	100, 215, 680
1952	96, 404, 704	98.7	1, 278, 540	1.3	97, 683, 244
1953	96, 461, 867	97.9	2, 098, 464	2.1	98, 560, 331
1954	80, 560, 947	97.2	2, 313, 396	2.8	82, 874, 343
1955	93, 536, 405	96.3	3, 560, 136	3.7	97, 096, 541
1956	105, 288, 665	96.8	3, 452, 184	3.2	108, 740, 849
1957	107, 225, 021	96.3	4, 169, 460	3.7	111, 394, 481
1958	106, 104, 502	95.3	5, 234, 388	4.7	111, 338, 890
1959	118, 828, 160	94.4	7, 101, 792	5.6	125, 929, 952
1960	113, 429, 275	93.5	7, 857, 720	6.5	121, 286, 995
1961	116, 256, 085	94.0	7, 462, 488	6.0	123, 718, 573
1962	132, 436, 090	94.3	7, 950, 852	5.7	140, 386, 942
1963	142, 053, 479	94.3	8, 609, 403	5.7	150, 662, 882
1964	158, 443, 648	94.6	9, 003, 272	5.4	167, 446, 920
1965	185, 479, 573	94.4	10, 934, 780	5.6	196, 414, 353
1966	208, 103, 791	93.7	13, 940, 479	6.3	222, 044, 270
By months, 1967:					
January	15, 530, 284	91.9	1, 363, 143	8.1	16, 893, 427
February	17, 632, 271	95.0	929, 124	5.0	18, 561, 395
March	19, 534, 740	92.8	1, 508, 738	7.2	21, 043, 478
April	16, 957, 806	94.0	1, 074, 101	6.0	18, 031, 907
May	17, 535, 402	92.5	1, 430, 063	7.5	18, 965, 465
June	18, 743, 026	93.4	1, 323, 121	6.6	20, 066, 147
July	14, 200, 451	90.7	1, 452, 471	9.3	15, 652, 922
August	17, 191, 593	90.9	1, 727, 072	9.1	18, 918, 665

TABULATION SHOWING COMPARISON OF MECHANICS' HAND SERVICE TOOLS IMPORTS WITH U.S. MANUFACTURERS' SALES IN THE U.S. MARKET

[Data on monthly average volume basis—Dollars in thousands]

	Annual averages		monthly average—1st 8 mos of 1967	Percent change
	1965	1966		
STI's shipments into domestic U.S. market	$15, 457	$17, 342	$17, 166	-1.0
Imports into United States	911	1, 162	1, 350	+16.2
Total domestic market in United States	16, 368	18, 504	18, 516	+.1
Percent imports of total market	5.6	6.3	7.3	

COMPARISON FIRST 8 MONTHS OF 1967 WITH SAME PERIOD IN 1966

	Month Average Rate, first 8 months, each year		
	1966	1967	Percent change
STI'S shipments into "domestic" market	$16, 609	$17, 166	+3.4
Imports into U.S.A.	$1, 162	$1, 350	+16.2
Total domestic market in U.S.A.	$17, 771	$18, 516	+4.2
Percent imports of total market	6.5	7.3	

IMPORTS—MONTHLY AVERAGE RATE COMPARISON OF SOME HAND TOOL PRODUCTS

	Year 1965	Year 1966	1st 8 months 1967	Percent change, 1967 increase (+) or decrease (−) from 1966
(A) Slip joint pliers	$83,079	$117,685	$102,751	−12.7
(B) Pliers, nippers, pincers, etc	165,659	202,616	244,909	+20.9
(D) Tin snips and parts	4,248	3,214	3,699	+15.1
(F) Bolt and chain cut. and M.C. shears	12,359	15,056	15,466	+2.7
(G) Pipe wrenches and spanners	60,867	93,803	90,999	−3.0
(H) Pipe tools, pipe wrenches, etc	285,565	350,189	418,285	+19.4
(I) Hammers, etc	55,219	68,156	63,024	−7.5
(K) Chisels and other cutting tools	37,239	39,071	44,586	+14.1
(L) Screwdrivers	73,395	77,736	83,536	+7.5
(N) Interchangeable tools, not metal cutting	81,460	140,906	219,470	+55.8

Source: U.S. Department of Commerce.