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SENATE.

} REPORT  
No. 267.

## REIMPORTATION OF WAR MATERIAL.

AUGUST 22, 1921.—Ordered to be printed.

Mr. WATSON of Indiana, from the Committee on Finance, submitted the following

### REPORT.

[To accompany H. J. Res. 183.]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 183) imposing a duty of 90 per cent on all goods exported from the United States for the use of the American Expeditionary Forces and its allied forces and which have been sold to any foreign Government or person, when reimported into the United States, having had the same under consideration, report favorably thereon with certain amendments, and as amended recommend that the resolution do pass.

#### NECESSITY FOR THIS RESOLUTION.

The report of the Ways and Means Committee clearly states the conditions which make the passage of this resolution necessary and is in part as follows:

On the signing of the armistice very large quantities of military and naval stores of all kinds, intended for the use of the American Expeditionary Forces and its allied forces, were stored at various places in France, Great Britain, Italy, and other European countries. Much additional material also was in transportation across the seas at that time and was afterwards landed. In addition, large additional shipments were made after the armistice to European ports after the apparent necessity for so doing had ceased. As an example, 38,316 motor vehicles of all kinds were landed at foreign ports after the armistice was signed.

On February 11, 1919, the United States liquidation commission was created to dispose of the surplus European stocks and to settle and adjust European war claims.

This commission sold war stocks in Europe for a total sum of \$822,923,225.82. The amounts received and from whom are as follows:

Purchaser.	Payment.	Amount.
Miscellaneous.....	Cash.....	\$108,700,000.00
Government of France.....	10-year 5 per cent bonds.....	525,500,000.00
Government of Belgium.....	3-year 5 per cent bonds.....	29,000,000.00
Government of Poland.....	1 to 6 year 5 per cent bonds.....	59,365,111.97
Kingdom of Serbs, Croats, and Slovenes.....	do.....	20,464,191.25
Rumania.....	do.....	13,012,689.00
Government of Russia.....	do.....	428,299.46
Czechoslovakia.....	do.....	19,096,874.27
Estonia.....	do.....	12,262,818.99
Lithuania.....	do.....	4,414,861.39
Latvia.....	do.....	2,556,952.84
Ukraine.....	do.....	8,500,222.67

The articles thus sold were of almost every imaginable character, being in general classified as (I) clothing and textiles; (II) subsistence supplies; (III) kitchen utensils and household furniture; (IV) machinery, metals, tools, and hardware; (V) building materials; (VI) lumber and other forest products; (VII) railway and dock equipment; (VIII) transport equipment; (IX) hospital and toilet supplies and chemicals; (X) photographic, measuring, and musical instruments; (XI) electrical equipment and supplies; (XII) oil, gasoline, and paints; (XIII) ordnance and gas equipment supplies; (XIV) blasting apparatus and supplies; (XV) printing apparatus and supplies; (XVI) office furniture, stationery; (XVII) hides, leather; (XVIII) Air Service equipment and apparatus. There was hardly anything from a needle to an automobile that was not included.

The principal of these sales was a bulk sale to France made August 1, 1919, for \$400,000,000, compensation evidenced by 10-year 5 per cent bonds, interest payable semiannually from and after August 1, 1920. Interest payments on these obligations have been met. There was in France, as shown by the estimated inventories of the United States liquidation commission, property which cost \$1,739,189,302.65, and a large part of which passed to the Government of France under the bulk sale above stated.

As shown by the report of the United States liquidation commission, the principal motive in making these sales was to help the stricken nations of Europe. The commission says, in part:

"A very large percentage of these stocks, manufactured and assembled under pressure, handled and rehandled under tremendous handicaps, were in a condition and of a character which clearly would not have justified the cost of returning them to America. As our troops were evacuating France, we had to look forward to the time when we would be left without facilities for keeping possession of, guarding, handling, delivering, or shipping home these goods. It was clear that the hungry, cold, and industrially demoralized people of Europe stood in crying need of a large percentage of these supplies—supplies which under existing conditions could not, as a whole, be advantageously returned to America at any time, and such part of them as might justify the cost of handling and transportation could hardly be held in France until conditions should become nearly enough normal to make possible their shipment."

Again, in a letter by the chairman of the commission to M. Morel, French negotiator, the report quotes:

"After the sacrifices, which can not be measured in terms of dollars, which have been made by both of our peoples, it would be criminal stupidity on the parts of the representatives of both our Governments to fail to agree on the disposition to be made of the surplus war supplies remaining on French soil. This commission sincerely hopes that it will not be forced to sell for shipments out of France anything that the French people really need or can utilize to advantage, and we are therefore not only willing but anxious to make to the Government of France a price for this property which will be attractive to it and to extend credit for the entire purchase price."

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"May I not, in conclusion, remind you that, as the treaty of peace with Germany has been signed and measures have been taken by your Government and ours, together with their associates, to insure a lasting peace, and as the American Expeditionary Forces are being very rapidly withdrawn and returned to their homes, it is imperative that the surplus war supplies belonging to our Government in France should be speedily disposed of, if not to the French Government then to others who urgently need and are seeking to acquire them, to the end that they may be promptly and fully utilized to bring back a measure of prosperity to the suffering peoples of the world."

Two additional reasons are given for this sale to France. Under the French law, no foreign Government can obtain title to real estate except for diplomatic purposes. Hence, all our installations, made on French soil, had to be at once torn down or sold to the French Government.

When our property was taken into France for military purposes nothing was said by the French Government concerning import regulations and the payment of import duties. However, after the armistice, when the question of removing or selling it arose, the French Government insisted upon the imposition of full import duties upon it. These duties aggregated \$150,000,000. This, therefore, made it additionally necessary to sell the property to the French Government.

Since these sales to the aforesaid foreign Governments, much of this property has passed into the hands of private persons and in many cases speculators. American citizens and others have purchased large quantities of these materials and are now importing them into the United States or are preparing to do so. Extensive American companies have been found to carry on that business. Large cargoes have already arrived from European ports, carrying consignments of this merchandise, which is being placed upon the market at prices which can not be met by domestic producers.

On July 17 last the steamship *Georgia*, from St. Nazaire, France, landed at New Orleans a mixed cargo of these surplus supplies. In this cargo were 66,130 cases of horseshoes, 14,543 cases of horseshoe nails, 406 cases of horse bolts, 1,035 cases of harness, 12,235 cases of calks, 480 cases of books, and 1,650 cases of corned-beef hash, roast beef, and miscellaneous articles. From information given, it appears that five other cargoes will be landed at New Orleans during the month of August.

Large American corporations have been formed and are in process of formation for the reimportation of this class of goods. Among these companies are the Berkshire Products (Inc.), Stevens Webb Co. (Inc.), Truck Co. of America, and Ford of France (Inc.), all of New York, and all of whom have made extensive purchases of the surplus material abroad, and whose consignments are either awaiting shipment or in transit.

During the month of June, as shown by the returns of the customs officials at the port of New York, American goods were reimported into this country from England, duty free, for the month of June, to the value of \$1,186,497, and from France to the value of \$1,462,557. Just what proportion of this was goods sold by the United States liquidation commission abroad is not known, but doubtless a considerable part of it. According to semiofficial information given by the Association of Commerce of New Orleans, a French company, the Societe Commerciale et Maritime Francaise, is preparing to import into the United States, among other things, 3,000 tons of machinery bolts, 3,000 tons of rails, 5,000 tons of steel beams, 5,000 railway water tanks, 300,000 feet of wooden water pipe, and 64,000 cases of baking powder.

The effect of this reimportation of American-made products will have a serious effect on the American market. It will demoralize American manufacturing, and will further increase unemployment. In addition, much of this material, deteriorated by transportation and exposure, will be placed upon the American market in competition with American products of superior value and cost.

Under the Underwood Tariff Act this material will come in without payment of duties. The pending tariff act will not probably be in effect in time to stop the flow of these goods. In view of this and many other considerations, it is apparent that this resolution should be enacted into law without delay.

The bulk of the war materials reimported are now being admitted free of duty under paragraph 404 of the revenue act of October 3, 1913.

This section provides that "articles the growth, produce, or manufacture of the United States, when returned after having been exported, without having been advanced in value or improved in condition by any process of manufacture or other means," shall be admitted free of duty.

The resolution as it passed the House provides for the imposition of the 90 per cent duty in the case of the reimportation of articles exported from the United States for the use of the American Expeditionary Forces and the Governments associated with the United States in the European war. The amendment proposed limits the application of the 90 per cent duty in the case of reimportation of articles exported for the use of the United States or foreign Governments to those exported prior to February 11, 1919, the date the United States Liquidation Commission was created to dispose of the surplus European stock.

Your committee is informed that at least \$6,000,000 has been paid by United States purchasers for various kinds of war materials which are in transit or about to be exported from France. It is the opinion of your committee that more harm will be done by prohibiting the importation of these articles than by permitting their free entry. Your committee, therefore, proposes an amendment to provide that this resolution shall not apply to any war materials purchased prior to August 15, 1921, and exported to the United States by American citizens, partnerships, corporations, or associations prior to November 1, 1921, if such purchases are certified to by the United States consul and a certified copy of the instrument of the purchase of the war materials is filed within 45 days after the approval of the resolution with the Secretary of the Treasury and the United States consul.

## PROPOSED AMENDMENTS.

On page 1, line 4, strike out the word "originally" and insert after the word "exported" a comma and the following: "prior to February 11, 1919," and a comma.

On page 2, line 4, after the word "Treasury" insert a colon and the following:

*Provided*, That the provisions of this resolution shall not apply to any goods, wares, merchandise, or military or naval supplies purchased prior to August 15, 1921, by any citizen of the United States, or by any partnership, corporation, or association created or organized in the United States, and exported to the United States prior to November 1, 1921, if (1) such purchases are certified to by the United States consul, and (2) such citizen, partnership, corporation, or association files, within forty-five days after the approval of this resolution, with the Secretary of the Treasury and the United States consul a certified copy of the instrument of purchase of such goods, wares, merchandise, or military or naval supplies. The term "United States consul" means the United States consul in the country from which such goods, wares, merchandise, or military or naval supplies are exported to the United States who certifies to the consular invoice.

