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Thursday, September 29, 1949

Volume 1

S. 501

REPEALING SECTION 202 (e) OF THE SUGAR ACT OF 1948

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EXECUTIVE SESSION

S. 501

REPEALING SECTION 202 (e) OF THE SUGAR ACT OF 1948

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THURSDAY, SEPTEMBER 29, 1949

United States Senate,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to call, at 10:30 o'clock a.m., in Room 312, Senate Office Building, Senator Walter F. George, Chairman, presiding.

Present: Senators George (chairman), Connally, Johnson, Millikin, and Butler.

Present also: Mrs. Elizabeth B. Springer, Acting Clerk.

The Chairman. The committee will come to order.

The committee will proceed to the consideration of S. 501, a bill repealing Section 202 (e) of the Sugar Act of 1948. I will insert in the record at this point the bill, together with departmental reports which have been received by the committee.

(S. 501 and reports referred to are as follows:)

The Chairman. Senator Chavez, you are here to testify with regard to S. 501?

STATEMENT OF HON. DENNIS CHAVEZ,
A UNITED STATES SENATOR FROM THE
STATE OF NEW MEXICO.

Senator Chavez. That is right.

The Chairman. We did not get to this bill earlier, because upon a hasty glance at it I had the impression that maybe it might affect the revenue in some way, and I thought we should wait to see if the House would take any action.

Senator Chavez. With your permission, Mr. Chairman and gentlemen of the committee, I will try to give you a little background of the idea of repealing this particular section, as my bill calls for.

Public Law 388, Eightieth Congress, Chapter 519, First Session, was contained originally in H. R. 4075, what is known as the Sugar Act. As I recall, the House passed that Act, and then this committee reported it to the Senate. At that time, Senator Millikin of Colorado was the presiding officer of this committee.

It came up for action the last night of the session, just prior to the time that we all wanted to go to Philadelphia to nominate the President, or thereabouts; anyway, it was the last day of the session. There were no objections whatsoever from those who were opposing section 202(e), to the Sugar Act as such; as a matter of fact, we all voted for it.

But I did raise the objection, and tried on the floor to get that particular session thrown out of the bill.

The Chairman. That is subsection (e)?

2 Senator Chavez. Subsection (e). As I recall, many of the proponents, or those who voted to keep it in, told me at that particular time that while they were against that particular section they were so afraid that they could not get action on the sugar bill that same night, and it was necessary that the Sugar bill pass, that they asked that action be taken. Nevertheless, as I recall, the vote was 42 to 40.

After I made my little talk and explained it, I think Senator Vandenberg, and, as I recall, Senator Connally, stated on the floor that it did not have any business whatsoever in the sugar bill as such.

Now, subsection 202 (e) has this language:

"If the Secretary of State finds that any foreign country denies fair and equitable treatment to the nationals of the United States, its commerce, navigation, or industry, and so notifies the Secretary, the Secretary shall have authority to withhold or withdraw any increase in the share of the domestic consumption requirements provided for such country by this Act as compared with the share allowed under Section 202 (b) of the Sugar Act of 1937: Provided, That any amount of sugar so withheld or withdrawn shall be prorated to domestic areas

on the basis of existing quotas for such areas and the Secretary shall revise such quotas accordingly: Provided further, That any portion of such amount of sugar which cannot be supplied by domestic areas may be prorated to foreign countries other than a country which the Secretary of State finds has denied fair and equitable treatment to nationals of the United States."

I maintained at that time that that particular section had no business whatsoever in a sugar act. There were no objections whatsoever to the Sugar Act as such, but this was actually telling a foreign country in a sugar act, "unless you behave yourself on other foreign matters that have nothing whatsoever to do with sugar, we are going to deprive you of your quota under the Sugar Act itself."

Since then it has not been used whatsoever. It is only an irritant and a disturbing factor as to this proposition that we talk about, that of good will. It is not doing a bit of good.

I introduced a bill, after I found out how detrimental it was to our efforts along the lines of good will, during the following month.

Senator Johnson. May I ask a question?

Senator Chavez. Certainly.

Senator Johnson. Do I understand that this bad conduct may relate to anything, may relate to something not connected

with sugar at all?

Senator Chavez. That is right. There might be a difference of opinion. Some one in New York might say, "Cuba owes us \$80,000." Cuba says, "Now, let us arbitrate this thing." But if the report of the Secretary is that that is bad conduct --

Senator Connally. Even the report of the committee in the House, when the bill was passed, said "Where nationals of the United States are unable to collect pecuniary claims." They have nothing to do with sugar. They are just a claim against the United States.

Senator Johnson. Something unrelated to sugar.

Senator Chavez. This has nothing to do with sugar at all.

The Chairman. It is all embracing. As I construe it, it is not a mandatory provision on the Secretary of State, but he might exercise it, and if he did so certify then the Secretary of Agriculture would perhaps have to take notice of it.

Senator Johnson. It is sort of a reprisal act.

Senator Chavez. Yes, that is what it is. I maintain that that is a matter to be taken up with the State Department, a different proposition altogether than anything having to do with cane sugar or beet sugar. Anyway, in order to get back to the record, on June 2, 1948, in a similar bill that was before this committee, the State Department wrote to

Senator Millikin as follows:

"My dear Senator Millikin:

"Reference is again made to your letter of April 20, 1948, requesting the State Department's comments on S. 2511, a bill 'repealing Section 202 (e) of the Sugar Act of 1948.'

"In view of the fact that the intent of this section of the Act has been widely misunderstood and that circumstances under which the use of this section might be considered desirable now appear remote, the Department perceives no objection to its repeal.

"The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report."

Senator Johnson. What is the date of that letter?

Senator Chavez. That letter is dated June 2, 1948. Because of the conditions at that time, we were busy; and the committee never did take it up.

Senator Millikin. I tried to make it clear last year, and there was some little delicacy involved in making it clear, that that provision was not the invention of the Senate Finance Committee. It was put in there at the request of the State Department.

Senator Chavez. Yes, I knew that. And it came from the House side. But after it was explained to the members of the committee, I know that some voted, there, for the sugar bill,

because we did not want to take a chance. We did not want to take a chance of the sugar bill not passing. It was necessary.

Senator Connally. I think it is an improper course of action, to utilize the Sugar Act to tie on an amendment that might refer to anything in the world if the Secretary of State should find that a national was not getting his rights. We have ways of determining those questions. If a country owes our people and does not pay, we can take it up with the diplomatic channels; rather than through the kitchen.

The Chairman. That subsection (e) has nothing to do with any other part of the Act?

Senator Chavez. It has nothing to do with it. Now, for the further reference of the committee, on the same bill, on October 15, the Secretary of Commerce, as a matter having to do with commerce as to the Sugar Act, addressed a letter to Senator Millikin, after discussing sugar, and so forth. This comes back to section 202 (e).

"From a commercial standpoint, this Department is of the opinion that section 202 (e) has no effect on the marketing of sugar and its repeal would have little effect on our sugar trade. With regard to whether such a means of compelling producer nations to afford our commerce fair treatment is necessary, it is the opinion of this Department that in the event of a flagrant discrimination by a foreign nation against United States commerce, the

problem could be better resolved by congressional action with regard to the particular discrimination by the particular country, or where the discriminating nation is one with which the United States has a reciprocal trade treaty, the United States could utilize the procedure provided by the enforcement provision of the particular treaty. It might further be pointed out that the section in question is particularly offensive in that it is, in practice, a continuing economic threat directed at one nation. Since the repeal of the subject section would appear to be primarily in the interest of international goodwill, and since the existence of section 202 (e) is of very doubtful importance to American commerce, this Department has no objection to its repeal by the enactment of legislation similar to S. 2511."

That is signed by the Secretary of Commerce.

Now, similar letters have been addressed, as to bill S. 501, which is before the committee now. They are to the same effect. I read these, however, because they are the earlier ones, and I will be glad to insert them in the record.

As a matter of fact, the committee has now letters addressed to Senator George.

Gentlemen, I was for the Sugar Act, and I want it, but I have devoted practically a lifetime trying to make this country

understood in Latin America. And why this irritant? I was told yesterday by Mr. Miller, the Director of Latin American Affairs of the State Department, that a short time ago he was in Peru talking to sugar people. And he says, "If we were to enforce that section, Peru would get the best of it." But they were raising Cain on account of that section. He says, "We would rather not have the advantage that we might get, because next time you will probably do it to us."

It is not doing a bit of good. It is just an irritant, there, that is hurting us, as a whole. I do hope the committee after due consideration, will report the bill out.

The Chairman. Mr. Myers, will you come up, please? What is your view on this?

STATEMENT OF LAWRENCE MYERS,
DIRECTOR, SUGAR BRANCH,
PRODUCTION AND MARKETING ADMINISTRATION,
U. S. DEPARTMENT OF AGRICULTURE,
WASHINGTON, D. C.

Mr. Myers. Senator George and members of the committee: The Department of Agriculture does not feel that Section 202 (e) is germane to its administration of the quota provisions of the Sugar Act. The Secretary of Agriculture has reported to the Chairman of this Committee, Senator George, on February 28. I shall not read his entire letter, but just the next to the last paragraph:

"Since the Department has responsibility under the quota system to make available adequate supplies of sugar for consumption in the continental United States, section 202 (e) is of concern to the Department only in so far as it affects that responsibility. Section 202 (e) is non-mandatory in nature and probably would not be invoked in any event if such action would jeopardize the sugar supply. The repeal of this section, on the other hand, would not affect our responsibility in administering the quota system. Accordingly, we have no objection to the proposed legislation."

That is, the legislation for repeal of that section.

The report concludes with the paragraph that:

"The Bureau of the Budget advises that, from the standpoint of the program of the President, there is no objection to the submission of this report."

5 Since the section is nonmandatory upon, first, the Secretary of State to make the finding and, secondly, upon the Secretary of Agriculture to take action in reducing the quotas, we feel that it is not of serious concern to us in the administration of the quota system.

Senator Connally. Your Department was not responsible for this, anyway. The Secretary of State was the one who causes this thing to be inserted.

Mr. Myers. The Department of Agriculture had no interest in it at any time, and it does not have today.

The Chairman. It has never been invoked?

Mr. Myers. It has never been invoked. And I would like to call the committee's attention to one important feature. If there were a serious or large quantity of sugar involved, we probably could not invoke it, because, obviously, we could not manufacture a shortage of sugar for American consumers for the purpose of administering section 202 (e). I could easily conceive of a situation where we would need a half million tons of sugar, under our quota from Cuba, for example, and, there being no other country that could supply that quantity of sugar, we could not honor a request under such conditions. It would be at the expense of a drastic shortage of sugar to us

consumers. I merely mention that, because it is nonmandatory, and therefore we are not too vitally concerned with it one way or the other.

The Chairman. Any questions, gentlemen?

Thank you very much.

Mr. Myers. Thank you.

Senator Connally. I move we report the bill.

The Chairman. First, I think we should hear the representative from the State Department. Mr. Brown is here, and I would like to get the Department committed.

STATEMENT OF WINTHROP G. BROWN,
DIRECTOR, OFFICE OF INTERNATIONAL
TRADE POLICY, STATE DEPARTMENT
WASHINGTON, D. C.

Mr. Brown. Mr. Chairman and members of the committee, I would like to say that we fully agree with what Senator Chavez has said and what Senator Connally has said. The existence of this requirement, this provision in the law, has proved to be an irritant of considerable magnitude. I think that I could quite frankly say that it was a mistake to put it in, from our point of view.

The Chairman. Can you give us the origin of it? Do you know the origin of this particular amendment?

Mr. Brown. Well, sir, the origin, since we are in executive session, was that at that particular time we were having extreme difficulties with certain of the senior people in the Cuban government, and they were, well, quite frankly, throwing threats around, and it was a very difficult and tense situation, and it was felt that our hand would be strengthened in dealing with some difficult problems we had with them if this piece of legislation were available. Since that time, that government has been changed. The people who were involved are all gone. It is quite a different atmosphere.

Moreover, the existence of the clause has caused a great deal of adverse propaganda. It has given rise to a great deal of communist talk about American imperialism. Senator Chavez gave one illustration of the effect that it can have.

We feel that it is an undesirable thing to have in the law and would be very happy to see the committee report the bill and the Congress pass it.

Senator Millikin. I am dredging up from very stale memory, Mr. Chairman, the representations that were made to me. First there were some shipping discriminations that were going on down there. I do not remember just what they were, but I think it had to do with discriminations attaching to certain tonnage limits. I may be clear off on that, but I do remember that there were some shipping discriminations that were under discussion.

Mr. Brown. Was it not the Seatrain, Senator?

Senator Chavez. That is right. It was the unloading of the ships.

Senator Millikin. I think that is right. Then there was the claim that the highest appellate courts in Cuba had found favorably to some American claimants as far as certain debts were concerned, and that the Cuban government would not honor the decisions of its own courts in those matters. Those were the two things that I recall were represented to me by the representatives of the State Department at that time.

Mr. Brown. Yes, sir. There were one or two other cases of considerable importance, but those were the two principal instances in which we were having great difficulty with the Cuban government.

As I say, the new government is very much more cooperative and friendly to the United States, and we have made substantial progress, although there is not a complete solution of those problems. And we have found that, anyhow, it does not work. You do not negotiate effectively under the shadow of a big stick these days. It just gets the other fellows back up.

Senator Connally. They sort of resent a threat.

Mr. Brown. Yes, sir, very much.

Senator Chavez. And it would be one thing if it were Cuba only; but it affects every country in Latin America. The Commies had a meeting in Mexico City, the "Third International Peace Conference." They met in New York first and then in Paris. That is the Robeson gang. They were there about ten days, and they discussed this more than anything else.

Senator Millikin. Mr. Chairman, Senator Connally has moved immediate action. I wanted to make this suggestion. Senator Thomas of Utah seems to be interested in the general subject of claims between American citizens and foreign countries, and he has had several conversations with me. I do not know whether they were directed to this particular amendment,

or whether he was just talking generally. But it occurs to me that perhaps we ought to hear him. I think that he has in mind possibly the establishment of some kind of a claims commission to get at these outstanding debt claims. I do not know whether his position is adverse to that of Senator Chavez or not, but he is interested in this subject.

Senator Chavez. I want the committee to understand that I want the foreign countries to pay their debts. I wish we could make more of them pay their debts. But I can see the difference between a legitimate effort in a proper way, of trying to collect a debt, and trying to do it in an indirect way by a little squeeze.

Senator Connally. The debt matter is a general thing. It might apply anywhere and anyhow. But this is confined only to the sugar countries.

Senator Millikin. My only suggestion goes to the possibility of giving Senator Thomas a chance to be heard as to whether he has any opposition.

Senator Connally Well, I will modify my motion. I move that the Chairman be directed to report this bill contingent upon contacting Senator Thomas. If he wants to appear, all right. If he does not, go on and report it.

The Chairman. Is that agreeable?

All in favor of the motion say "Aye."

Opposed, "No."

Very well, the motion is carried.

(Whereupon, at 10:45 a. m., the committee recessed
subject to the call of the Chair.)

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